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DRUG STORE NEWS

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Pay'n Save to open no-frills 'warehouse'

Pay 'n Save's Wholesale Price Savers Club is in the bare-bones tradition of San Diego's Price Club chain; one of the units is pictured above.

By Mike Dunn

SEATTLE—Pay 'n Save will launch early in 1984 the first of a chain of huge cash-and-carry wholesale warehouses catering to small businesses and select groups.

The 100,000-sq.-ft. deep-discount operation, called Price Savers Wholesale Club, will open in Salt Lake City. Sites are also being considered in Seattle and Tacoma, Wash., and in Honolulu and Anchorage.

Although the new high-volume venture will be located in Skaggs' heartland, competition will not be head to head. The Price Savers Wholesale Club will not contain a pharmacy or sell OTC products. However, a small selection of vitamins and health and beauty aids will be carried.

The new unit will concentrate on major appliances, housewares, hardware, tools, sporting goods, seasonal merchandise, tobacco products, baby needs, plants, stationery and office supplies, books and food products. Most products will be bought direct from manufacturers.

Calvin Hendricks, vice chairman of the Pay 'n Save board of directors, said the Price Savers Wholesale Club will not be competing against Skaggs because of the different product mix and because the buying club will be selling to a dissimilar type of consumer.

"Many of our customers will be other businesses. We will act like a wholesaler," he said.

But the store also is expected to draw the ordinary consumer who belongs to a group. "We believe the warehouse concept of merchandising offers a formula that will be readily accepted and appreciated by the cost-conscious consumer," said M. Lamont Bean, Pay 'n Save chairman.

Bean said the merchandising concepts at the new division

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Walgreens sales hit $2.4B

DEERFIELD, Ill.—Cost control measures to improve productivity coupled with a 24.7% jump in pharmacy sales in the drug store division helped the Walgreen Co. produce another year of record sales and earnings.

For fiscal 1983, ended Aug. 31, sales rose 15.7% to $2.4 billion, up from the $2 billion registered last year—the first year the chain cracked the $2 billion mark. LIFO-adjusted earnings increased 24.5% to a record $69.8 million. Fully diluted earnings per share rose 44¢ to $2.27.

Charles R. Walgreen III, chairman of the company, reported that Walgreens' recent earnings are double the earnings of just three years ago. "Over the last five years," he added, "earnings have realized a compound growth rate of 24%."

Fourth-quarter sales reached $594.7 million, a 15.5%

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Eckerd methaqualone ban shrinks Rx crime

CLEARWATER, Fla.—Eckerd Drug Co. has experienced a 40% drop in pharmacy thefts and robberies since banning the sale of methaqualone 18 months ago, according to Stewart Turley, chairman and president of the Jack Eckerd Corp.

In urging national legislation to prohibit the manufacture and distribution of the much-abused depressant drug, Turley told a House subcommittee that pharmacy-related crime had declined from 30% of the chain's crime in January 1982 to 18% now.

"While we have instituted several programs to make our pharmacies more secure and provide greater safety to our employees," Turley said, "we believe that the elimination of methaqualone has made an important contribution."

The Eckerd chief exec told representatives considering measures to ban methaqualone that the chain had stopped dispensing the drug primarily to focus greater public attention on the severe abuse problem in many major metropolitan markets, including some of those in which Eckerd operates.

"Numerous accidents, injuries and deaths can be directly linked to the use of methaqualone, either alone or with al-

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Revco: New exec roles set stage for growth

TWINSBURG, Ohio—Two top-level managers at Revco Drug Stores have received expanded assignments as the chain gears up for what is expected to be one of its largest growth years ever.

Marc Dworkin, 37, formerly senior vice president for marketing, has been named executive vp for operations and marketing, a new position embracing the operations, purchasing, distribution, security, marketing and merchandising departments.

R. Carroll Hudson, 55, executive vp and chief financial officer, has been named executive vp for administration and finance. He will continue to serve as chief financial officer.

Both executives will report to Revco chairman, president and ceo Sidney Dworkin, who in announcing the appointments, said, "These moves are aimed at ensuring the continuation of a strong and efficient management organization to accommodate [our] growth plans. Strengthening and broadening our management base is essential for our progress."

Now in his 15th year with Revco, Marc Dworkin joined the company following his grad-

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Pay Less debuts smaller prototype in Calif.

MARTINEZ, Calif.—Pay Less has opened the first of its new smaller prototype stores in the chain's 72-unit California division.

The 29,000-sq.-ft. prototype, introduced first in Oregon, has been reduced from the chain's 34,000-sq.-ft. model in an effort to lower occupancy costs at a time of rapidly rising land and construction costs.

To compensate for the decrease in square footage, Pay Less has raised the gondola height on the wall and on one side of the store (cameras, sporting goods, hardware, paint and electrical supplies) to 72 in. On the other side of the store (pharmacy and health and beauty aids) gondolas are not 60 to 66 in. in height. The purposes

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The new PayLess prototype in Martinez, Calif., features a fabric section at the rear of the store and well-marked departments. Opening week promos included numerous giveaways (right).

—News in brief—

NWDA sets management seminars

MAUI, Hawaii—The National Wholesale Druggists Association (NWDA) will present a series of management seminars on Monday, Oct. 24.

The seminars, which are a part of the NWDA's annual meeting in Maui, Hawaii, will include an evaluation of third-party programs, a report on innovations in home health care, an update on the status of corporate physical fitness programs and a session on attracting and retaining key management personnel. In addition, there will be a one-time seminar on communications.

The seminars will begin at 8:15 and will be repeated once at 10:15 a.m. They will conclude at noon.

Representatives from more than 50 of the nation's leading drug wholesalers are expected to attend the meeting which begins Oct. 22.

Drug store sales rise 10.5%

WASHINGTON—Drug and proprietary store sales increased a healthy 10.5% to $3.55 billion in September, up from $3.213 billion in August, according to advance unadjusted figures from the U.S. Commerce Department.

The advance September 1983 sales figure was 24.2% better than the $2.86 billion reported for September 1982.

Drug and proprietary sales in September 1983 outperformed the entire retail industry, according to the Commerce Department figures.

Best Buy plans more combos

WEST PALM BEACH, Fla.—Best Buy Drugs Inc. is planning to raise $1 million in a public stock offering to fund its continuing conversion of drug stores into mini food and drug combination stores. Money raised from the offering, which is being underwritten by Helfer Broughton Inc., also will be used for expansion.

Best Buy operates nine units in the 7,500- to 8,000-sq.-ft. range. Two more stores are scheduled to open by February 1984. Eight of the nine existing units have pharmacies.

Deep-discount Super D to open

MEMPHIS—The Super D division of Malone & Hyde will open its first deep-discount drug store next year in Memphis, where Revco has already opened a deep-discount unit. Don Lasseter, president of Super D, said Tom Hanemann, sr. vp and general manager of the drug division, will oversee the new venture. Bob Billings, who had been vp of marketing, will become director of operations for Super D.

Malone & Hyde acquires 13 Auto Shacks

MEMPHIS—Malone & Hyde Inc., which operates and franchises Super D and other drug stores, has signed an agreement to acquire Auto Shack Inc., a company that has 13 retail auto parts stores in the Phoenix area. The transaction involves a tax-free exchange of Auto Shack shares for an undisclosed number of Malone & Hyde shares. Malone & Hyde also operates 121 Auto Shack stores in seven mid-South states that have been developed internally and is opening new auto parts stores at the rate of one a week.

Group acquires Nature's Organics

PARAMUS, N.J.—The financially ailing Nature's Organics Plus was recently purchased by a private group of investors headed by William Weiss and Harvey Polly, two of the principals of Helena Rubinstein.

Under the terms of the agreement (for an undisclosed sum) Polly becomes president of Nature's Organics. The offices will remain here and all marketing and sales will be handled by DeKama Associates, a newly formed company directed by Joe DeKama, former president of Nature's Organics.

3 join Medicare-Glaser board

ST. LOUIS—Harlan Steinbaum, president of Medicare-Glaser Corp., has announced that the following individuals have been elected to the company's board of directors: Landon Y. Jones, Stanley M. Rosenblum and Stuart L. Bascomb.

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Vol. 5, No. 23 October 31, 1983

Buyers greet H&BA items at N.Y. Assoc./Affil. show

NEW YORK—Drug retailers attending the Affiliated Drug Stores and Associated Chain Drug Stores fall buying shows reacted with enthusiasm to the new H&BA and cosmetics products unveiled by some of the major vendors.

While some retailers seemed genuinely impressed with the new products introduced by such heavyweight companies as Revlon and L'Oreal, it was the multimillion dollar advertising campaigns that will support the new entries that sold most of the buyers at the shows.

Both Revlon and L'Oreal will debut new hair care products in January. L'Oreal will launch Free Hold Styling Mousse, a hair styling product that was successfully introduced in Europe this year. The product, which made substantial inroads in the English hair styling and conditioning market, will be backed with an $11 million advertising budget during the first three months of 1984, according to Joseph Lambia of L'Oreal.

Revlon will kick off a major advertising blitz to help assure the success of its new shampoo entry, HDR. Sources familiar with Revlon's marketing strategy say that the company is shooting for a 4% share of the shampoo market.

Most buyers agreed with Helen James, cosemtics buyer for Hook Drug, the Indianapolis, Ind.-based chain. "They (the new products) sound exciting because they are going to spend all kinds of money on it," said James.

In addition to some of the new products coming out next year, drug retailers at the shows expressed interest in a number of other categories including a line of Hispanic H&BA products, budget cosmetics and a number of housewares and summer seasonal items.

Larry Pallini, executive vp of sales at Pavion Ltd., which markets a line of budget cosmetics under the name Wet 'n Wild, said that he sees some of the resistance among drug chains to carry budget cosmet-

Continued on page 78

Court rules consumers not misled by 'gray market' shipping methods

WASHINGTON—Imports of so-called "gray market" merchandise are not likely to create confusion among consumers, a Federal appeals court in New York ruled earlier this month.

The decision, a key defeat for multinational manufacturers pressing for new restrictions on foreign supply sources of United States drug chains, figures to complicate Treasury Department plans to issue controversial regulations banning "gray market" shipments. Eckerd and Revco are among the giant retailers that are rigorously resisting such a ban.

The New York ruling parallels a Florida Federal court decision earlier this year permitting a group of Miami fragrance distributors to continue purchasing perfumes overseas for sale in this country despite objections raised by the foreign manufacturer's United States subsidiary.

In that case the Miami Federal judge rejected the manufacturer's request for an injunction against such transshipments, ruling that there is no evidence that the "public is being harmed" by gray market transactions.

In the more recent New York case, the trial court initially ruled in favor of a major Japanese camera supplier, concluding that unauthorized imports of Mamiya photographic equipment by a Brooklyn camera wholesaler violated the Federal trademark law.

According to the initial district court ruling, the wholesaler's unauthorized imports of legitimate, Mamiya cameras could lead to "a substantial likelihood of confusion" among consumers.

The appeals court, however, lifted the district court's gray market injunction against further imports by the wholesaler, ruling that the manufacturer "has not shown that the sale of the subject camera equipment by another distributor is likely to cause any consumer to be misled about the product he or she purchases."

Although both the Florida and New York court actions

Continued on page 77

William Schallert (left) relaxes between takes of Arbor TV filming.

Arbor store becomes set for TV ads

TROY, Mich.—Arbor Drug has hit the highly competitive Detroit-area market with a series of five TV commercials featuring actor William Schallert as chain spokesman.

Schallert, who is best known for his role as the father on the Patty Duke Show, filmed the series of commercials for the 34-store chain on the topics of generic drugs, Arbortech (Arbor's pharmacy computer system), the 2-for-1 photo offer and Christmas.

The 30-second spots, airing during all hours of the day, are reaching shoppers in all six of the major Detroit area counties consisting of about 9.7 million consumers.

According to David Mazur, account executive for Kolon, Bittker & Desmond Inc., the advertising agency that devised the ads, Arbor wanted a spokesman who "was recognizable by any age group, but not such a big star that he could, in a sense, overshadow the store. Schallert is perfect because most people know that they recognize his face . . . but they don't know from where."

Arbor first started TV advertising last fall with a "Welcome to Arbor" awareness campaign. According to Mazur, with Arbor's increasing store count, the cost per thousand is "well worth" putting the message on TV.

In the Michigan area, Perry—the No. 1 chain by market share—is the heaviest TV advertiser. Other contenders on TV include Revco and Meijers Thrifty Acres. Although Mazur would not release Arbor's ad budget, he did note that it is a "large sum" that will probably make Arbor the second-largest chain drug television advertiser in the market.

FINANCIAL

Over same qtr. last year

Rite Aid income increases 17.5%

SHIREMANSTOWN, Pa.—Net income at Rite Aid for the quarter ended Aug. 27 increased 17.5% to $12.6 million, up from $10.7 million for the comparable quarter last year.

Sales for the quarter increased 15.7% to $349.7 million from $302.1 million. Earnings per share for the quarter were 60¢, up from 51¢.

For the first two quarters, net income advanced 16.3% to $24 million from $20.2 million for the equivalent period last year.

Sales for the two quarters ended Aug. 27 were $694.3 million, up 16.3% from $596.6 million for the same year-earlier period.

Year-ago share earnings were adjusted to reflect a 3-for-2 stock split paid in January.

Alex Grass, president and chairman of Rite Aid, attributed the increases to the continuing strength of prescription and health and beauty aids sales.

Study sees whopping 4-year sales gain

NEW YORK—Drug and proprietary stores are expected to generate $55.2 billion per year in annual sales by 1986, according to retailing study by Dun & Bradstreet Credit Services.

The U.S. Commerce Department reported sales in the category last year were $35.85 billion.

For the four-year period from 1983 to 1986, the study predicts sales will total $172.3 billion.

Overall retail sales are expected to increase to $1.2 trillion this year, up 9% from 1982, according to the study.

Annual gains of 10%, 10% and 11% are expected to bring total retail sales to $1.6 trillion in 1986.

The study divides retailing into 13 areas ranging from drug and proprietary stores to consumer electronics, hobbies, building materials and auto parts stores. Entitled "Retailing for 1980's—A Strategic and Financial Analysis," the study is designed to enable executives to measure their company's performance.

Rx leads Peoples to 15% sales rise

ALEXANDRIA, Va.—Sheldon W. Fantle, president and ceo of Peoples Drug Stores, said sales for the chain increased 15% for the year ended Sept. 24.

"Significantly," Fantle told a meeting of security analysts here, "comparable store sales rose 12%."

Fantle said the performance reflected "our strong pharmacy operations, which now account for 25% of total sales and the growth in our seasonal and promotional merchandise."

Another important factor, according to the chief executive, was the consolidation program in Indiana under which all Haag stores were brought under the Peoples logo and merchandising format.

Fantle said early indications were that earnings results for the year would be "quite positive."

Peoples wound up the year with 575 stores in 13 states and the District of Columbia.

Fay's declares 3.5¢ dividend

LIVERPOOL, N.Y.—A quarterly cash dividend of 3.5¢ per share was declared by the board of directors of Fay's Drug Co. The dividend reflects the 2-for-1 stock split distributed Sept. 2, and is therefore comparable to the 7¢ per-share dividend paid in the prior quarter. The dividend will be paid Oct. 14 to shareholders of record as of Oct. 5.

Genovese rises 13.4% to lead chain drug stocks

Name	Symbol	STOCK PRICE 9/23/83—10/10/83 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Change Pct.	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	23.25	21.13	23.00	1.63	7.60	23.25	6.00	.50	-.20	.35	.62	1.12	.36 S	41.3	17.0	1.6	18.7	.04	.2	09-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	43.63	37.50	43.50	3.00	7.41	43.63	18.72	.56	2.56	3.21	-20.40	2.69	.85 S	37.6	45.0	1.2	14.0	.48	1.1	09-20-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	22.00	22.00	22.00	.00	.00	24.00	9.50	-.01	-.86	.13	.00	1.47	1.52 Q	NC	-11.0	1.4	14.5	.68	3.1	07-14-83	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	14.50	12.88	12.88	-.88	-6.36	14.50	5.06	.23	-2.66	1.76	-19.42	.39	.09 S	25.7	25.0	2.9	29.3	.00	.0	09-21-83	87.4	2.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	81.00	73.00	78.00	5.00	6.85	148.00	19.25	.04	-.45	-8.28	3.85	5.43	5.52 S	203.6	133.0	3.1	9.5	.13	.2	09-02-83	291.8	9.1	2.0	12.01	28.91	0183
Eckerd, Jack	ECK	27.88	25.63	27.50	1.63	6.28	34.88	22.88	.27	-.57	2.15	-27.36	1.91	.01 F	.5	6.0	3.1	14.4	.96	3.5	08-08-83	2325.0	71.7	2.3	.35	14.19	0782
Fays Drug	FAY	12.25	11.50	12.00	.25	2.13	12.88	3.91	.35	-.39	-4.92	7.51	.48	.17 S	48.5	34.0	2.0	23.1	.16	1.3	09-06-83	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	13.75	11.75	13.25	1.56	13.37	13.75	4.19	.61	.48	.66	27.81	.67	.25 S	47.1	33.0	1.6	17.0	.16	1.2	10-06-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	26.50	25.25	25.50	-1.00	-3.77	29.75	14.19	-.10	-.94	2.47	-49.40	1.52	.72 S	57.6	9.0	2.3	12.9	1.00	3.9	10-07-83	285.2	6.6	1.7	2.86	9.37	1262
Longs Drg Strs	LDG	45.63	43.25	44.13	-.88	-1.94	50.13	33.75	.06	-.44	-1.91	2.81	2.92	.30 S	10.4	10.0	2.8	14.0	1.12	2.5	08-24-83	1123.2	30.9	1.8	.00	18.76	0183
Pay N Save	PAYN	26.13	22.75	25.75	-.13	-.48	27.25	12.06	-.11	1.51	-1.65	11.20	1.52	.77 S	66.3	2.0	1.6	13.3	.56	2.2	08-15-83	1043.2	16.8	2.3	17.01	14.32	0183
Pay Less NW	PAY	19.63	17.50	17.88	-1.38	-7.14	20.19	11.13	.16	-2.23	3.04	36.13	1.07	.16 S	16.3	-1.0	2.5	15.7	.28	1.6	07-22-83	784.7	19.4	2.0	5.26	6.07	0183
Peoples Drug	PDG	29.38	27.63	29.13	.88	3.10	31.75	13.75	-.18	-.02	1.04	13.22	1.39	.36 N	27.0	22.0	1.5	17.2	.28	1.0	07-11-83	688.4	10.5	1.9	4.97	10.08	0982
Perry Drug	PDS	19.88	17.63	19.75	1.38	7.48	[illegible]	6.50	.17	2.15	.19	15.39	.73	.08 N	10.3	4.0	1.2	23.2	.20	1.0	08-15-83	244.3	2.9	1.9	6.04	6.50	1082
Revco Drug	RDS	36.25	33.25	35.75	2.25	6.72	36.25	25.09	.36	-.30	-.91	-3.22	2.13	.53 Q	31.3	25.0	3.7	16.1	.68	1.9	08-22-83	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	41.50	38.00	41.50	2.00	5.06	44.75	28.19	.05	.98	-1.10	-15.96	2.37	.52 S	25.6	27.0	3.9	16.3	.64	1.5	07-12-83	1294.7	49.9	1.7	1.17	12.38	0283
Thrifty Cp	TFD	20.50	18.13	20.13	2.25	12.59	25.25	7.88	.09	.89	.52	33.88	.92	.18 N	20.6	18.0	1.6	19.2	.46	2.3	08-04-83	1126.2	18.3	1.5	5.62	6.14	0882
Walgreen Co	WAG	37.38	34.00	37.38	2.88	8.33	38.13	22.31	.01	1.23	3.34	17.96	1.83	.50 N	32.2	29.0	2.8	18.2	.60	1.6	08-15-83	2039.5	56.1	1.5	1.79	9.81	0882
Wholesaler's transactions																											
Bergen Bruns	BBCA	31.25	27.25	31.25	1.25	4.17	39.50	21.91	-.16	1.25	-1.00	-.98	1.60	.25 F	18.5	49.0	1.4	19.5	.32	1.0	07-26-83	1452.0	20.0	1.7	4.09	7.72	0882
McKesson Cp	MCK	43.13	40.00	40.50	-1.25	-2.99	51.00	37.75	-.23	-1.12	.06	-.91	3.44	-.17 Q	-4.5	6.0	1.6	11.5	2.40	5.9	08-26-83	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	27.25	25.75	25.75	-1.75	-6.36	28.50	23.75	.05	-1.41	4.24	54.44	.94	1.06 Q	NC	970.0	.7	24.3	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	16.38	15.00	15.75	.59	3.92	17.81	3.69	.35	-1.38	-1.50	21.43	.89	.48 Q	111.6	258.0	.4	17.3	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	18.00	17.38	17.75	-.75	-4.05	19.25	12.25	.62	-1.13	-1.44	-13.61	.77	-.02 S	-1.6	3.0	.7	15.2	.32	1.8	08-17-83	211.4	1.5	2.8	10.55	9.76	1282
Spectro Indus	SPO	23.38	21.88	22.00	.38	1.73	28.75	13.25	.12	-1.34	-.28	-33.51	1.35	.35 Q	33.3	53.0	1.6	15.7	.14	.6	09-19-83	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	53.38	48.13	53.00	2.50	4.95	53.38	34.25	.19	.94	1.31	25.86	2.37	.42 S	19.3	27.0	11.1	20.5	1.00	1.9	10-07-83	2602.4	289.1	1.3	1.56	10.74	1282
Am Home Prod	AHP	52.00	48.13	51.88	3.13	6.41	52.25	41.75	.27	.69	1.21	14.90	3.59	.36 S	10.5	16.0	12.2	13.8	2.40	4.6	08-08-83	4582.1	560.1	2.7	.00	11.83	1282
Baxter Travenol	BAX	61.50	58.00	59.88	-.75	-1.24	62.63	43.50	-.07	-.19	-.22	5.27	2.44	.53 S	24.4	26.0	11.2	22.2	.56	.9	09-02-83	1671.4	186.9	2.0	2.36	15.04	1282
Block Drugs Co	BLOCA	29.50	28.00	28.00	-1.50	-5.08	35.50	18.13	.05	-.85	-.46	-14.09	2.93	.38 Q	14.4	14.0	9.7	9.3	1.00	3.6	08-26-83	219.0	21.3	2.5	2.42	18.37	0383
Bristol-Myers	BMY	46.75	40.75	46.25	3.50	8.19	46.75	31.19	.72	.47	2.04	-7.23	2.59	.32 S	13.0	18.0	9.7	16.7	1.20	2.6	10-03-83	3599.9	348.7	2.3	.84	12.68	1282
Carter-Wallace	CAR	22.00	19.50	20.50	-1.13	-5.20	29.00	15.25	-.43	-.43	-1.40	-11.85	2.12	.53 Q	32.9	39.0	5.7	9.6	.44	2.1	08-01-83	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	40.75	36.25	38.13	-1.63	-4.09	49.00	17.50	.37	-.76	.53	12.47	.85	.49 N	58.3	22.0	3.4	28.7	.40	1.0	09-09-83	363.2	12.3	2.7	11.11	9.38	1082
Forest Labs	FRX	36.00	31.63	35.00	-1.13	-3.11	40.75	12.25	-.07	-.35	-1.23	-34.39	.48	-.04 Q	-7.6	135.0	13.4	72.9	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	10.63	7.63	8.75	-1.88	-17.65	15.25	6.13	-.72	-1.91	.19	-2.16	.42	-.18 S	-39.1	124.0	7.8	31.3	.00	.0	00-00-00	38.7	3.0	1.8	.65	3.81	1182
Key Pharm	KPH	31.63	27.13	30.13	-1.50	-4.74	38.88	23.00	-.78	1.04	1.88	18.50	.51	.27 S	81.8	172.0	14.9	50.2	.22	.7	09-12-83	82.3	12.3	1.6	.04	1.70	1282
Lilly Eli Co	LLY	65.75	61.25	65.75	3.50	5.62	67.50	54.50	.04	.25	1.05	-20.09	5.42	.28 S	5.2	12.0	13.9	11.8	2.90	4.4	08-09-83	2962.7	411.8	1.9	.65	27.10	1282
Lee Pharm	LPH	2.75	2.50	2.63	.00	.00	4.38	2.00	-.59	.63	1.05	10.29	-.65	.72 N	NE	-132.0	-12.6	NE	.00	.0	00-00-00	10.3	-1.3	1.9	.46	1.98	0982
Marion Labs	MKC	48.00	40.75	46.13	5.13	12.50	48.00	19.75	.71	.92	4.06	-1.10	.78	.28 F	56.0	4.0	8.2	59.1	.32	.7	09-14-83	181.2	14.8	1.8	.64	4.25	0682
Merck & Co	MRK	103.50	95.13	102.88	8.00	8.43	103.50	78.50	.17	.30	.41	1.31	5.61	.44 S	8.1	9.0	13.6	17.6	2.80	2.7	08-29-83	3063.0	415.1	2.1	4.56	29.81	1282
Morton Thiokol	MTI	80.50	72.38	80.50	5.50	7.33	80.50	45.13	.33	1.76	.24	52.02	5.15	1.55 F	43.0	12.0	5.2	15.6	1.60	2.0	08-25-83	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	9.25	7.88	8.50	-.88	-9.33	11.38	5.25	-.83	.04	-4.08	-22.97	-.03	.01 Q	NE	56.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	44.50	39.50	43.75	2.75	6.71	44.75	33.00	.43	.68	1.77	5.15	2.13	.41 S	20.8	14.0	9.6	18.4	1.16	2.7	07-01-83	3453.6	332.8	2.0	3.37	12.82	1282
Reid Prov Labs	REID	3.50	3.00	3.13	-.38	-10.71	6.09	1.19	-.69	-3.55	.45	41.67	.09	.03 F	50.0	47.0	5.3	34.7	.05	1.6	12-09-83	11.4	.6	5.3	.02	.72	0682
Robins, AH	RAH	29.38	27.75	28.88	1.00	3.59	29.38	15.88	.48	-.73	-.64	17.03	1.98	.47 S	25.9	19.0	10.1	12.7	.68	2.4	08-18-83	482.3	48.7	4.0	1.50	13.29	1282
Rorer Group	ROR	28.00	27.00	27.50	.50	1.85	31.13	21.25	-.06	-.44	1.33	-29.59	1.82	.07 S	3.9	12.0	9.0	14.9	1.04	3.8	08-04-83	402.4	36.3	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	19.63	18.50	19.50	.00	.00	29.63	16.13	-.21	-.51	-.08	1.16	1.13	-.04 Q	-3.8	8.0	5.2	19.7	.30	1.5	09-07-83	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	54.25	47.88	52.50	-.88	-1.64	55.88	34.75	-.31	.68	.43	-52.00	2.77	-.27 S	-10.1	27.0	13.5	22.1	.52	1.0	08-09-83	1036.9	140.4	2.2	4.10	13.32	1282
Squibb Corp	SQB	55.63	50.75	55.63	3.38	6.46	55.63	38.25	.51	.95	1.40	22.26	3.01	1.81 S	141.4	2.0	9.2	18.0	1.34	2.4	08-15-83	1660.8	153.6	2.3	6.54	21.29	1282
Sterling Drug	STY	29.13	25.25	29.00	3.38	13.17	29.63	21.75	.19	.93	4.10	1.72	2.17	-.02 S	-.9	9.0	7.3	13.4	1.12	3.9	08-11-83	1796.2	132.0	2.8	1.19	14.16	1282
Syntex Corp	SYN	61.50	54.88	60.13	5.13	9.32	62.50	44.13	.40	-.07	2.59	-1.04	4.30	.45 F	11.6	47.0	17.2	14.0	1.40	2.3	08-15-83	870.2	149.3	2.2	1.11	17.03	0782
Thompson Med	TM	26.00	22.63	26.00	3.13	13.66	26.00	6.84	.10	.87	-.48	7.63	1.16	.34 S	32.0	69.0	12.7	18.6	.28	1.1	09-26-83	91.0	11.6	4.5	.00	4.53	1182
Upjohn Co	UPJ	62.00	56.75	61.75	5.25	9.29	68.75	42.75	.50	.60	1.60	-19.92	4.18	-.93 S	-17.3	4.0	6.9	13.9	2.28	3.7	09-30-83	1828.7	126.0	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	31.38	28.38	31.25	1.88	6.38	35.00	25.75	.22	.72	-3.53	-4.16	2.05	.20 S	10.1	-4.0	5.0	14.3	1.40	4.5	08-01-83	3246.0	163.2	2.1	8.51	17.28	1282

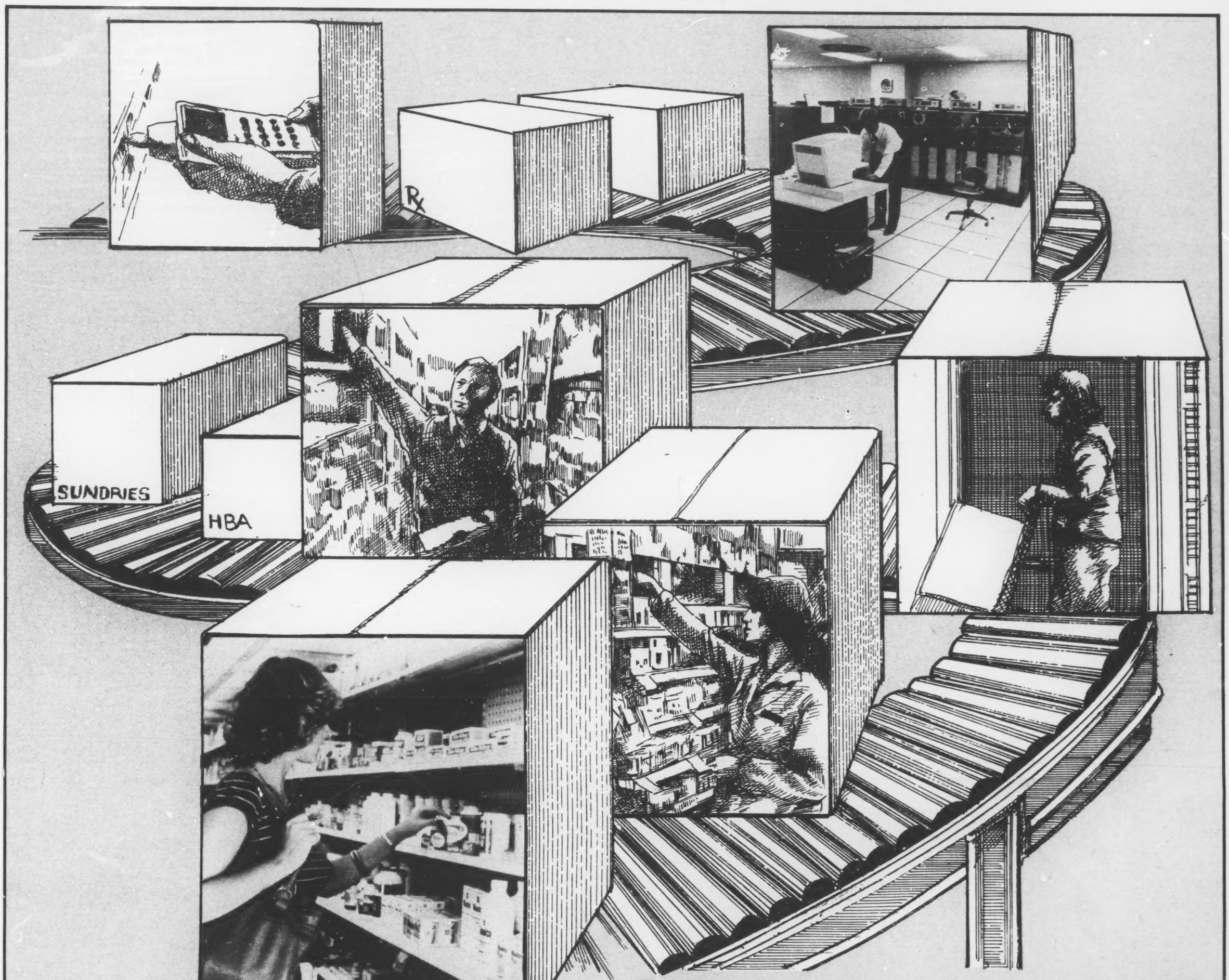
KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

*** — Other than a quarterly multiple resulting from a fiscal year change.**

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

Special report:

DRUG WHOLESALERS



The buying, storing and shipping of health-related merchandise is still the key mission of the wholesale drug industry. However, as this illustration depicts, new equipment, new customers and new products are rapidly changing the way wholesalers go about their business.

Computers, hospitals spur growth in '83

By Allen Mundth

Product, performance and productivity—the three P's—are the focus of the nation's drug wholesaling industry this year as members strive to top near record results reported in 1982.

Indeed, as the National Wholesale Druggist Association's 1982 operating survey indicates, America's drug wholesalers "have come a long way during the past five years." It was just six years ago that the association's chairman warned members that "adequate profitability continues to elude the drug wholesale industry."

Like many of its key financial indicators, the levels of optimism, enthusiasm and pride in the drug wholesaling community have reached all time highs. Why? The numbers speak for themselves:

- Estimated sales of all United States drug wholesalers grew an estimated 18.6% to $10.2 billion in 1982; NWDA members accounted for all but $1.2 billion of the total.
- Operating expenses as a per cent of gross profit dropped to 74.39%, while overall expenses dropped to 7.79%.
- Average return on investment topped an industry goal of 15% for the first time ever.
- An unprecedented 14.2% return on net worth put drug wholesalers even closer to the average returns achieved by most of their suppliers, and
- Net profit, which had sunk to below 1% in the mid-1970's, continued its gradual ascent, settling at 1.41% in 1982.

Subtle changes

While the blend of customers serviced by America's drug wholesalers remained stable last year, certain distinctions reflect subtle changes in the overall delivery of health care products and services to United States consumers.

While retail drug stores, primarily independents and small chains, still account for the bulk (56.1%) of all wholesaler revenues, the long term decline of this market segment continued in 1982. In 1981, 57% of all sales were to retail customers. Sales to retail drug stores increased 17% last year, compared to the 18.6% sales increase overall. Sales by wholesalers to chain drug warehouses and mass merchandisers also dipped last year, with chain drug stores accounting for 3.4% of all revenues.

The most significant change in the wholesalers' customer mix involves hospital and institutional customers, which accounted for 15.6% of all sales in 1982, compared to 14.1% in 1981. Rapid growth of this segment, which offers wholesalers comparatively lower gross margins, was cited for a slight drop, from 2.74% in 1981 to 2.68%, in operating profit margins.

Pharmaceutical, toiletry and sundry products continued to pace the overall product mix offered by both general line and specialized wholesalers. However, sales of proprietary goods sunk to 15.5% of total sales, believed to be a 10-year low.

Gradual recovery

Revitalization of the wholesale drug industry has been gradual, triggered by the realization more than a half decade ago that significant changes, in systems, services and product selection, were needed to ensure long term viability.

As the various articles in this special

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Inside Special Report

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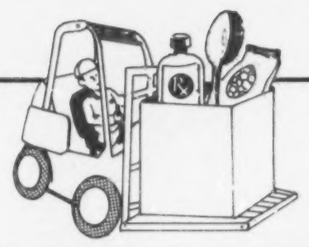


Special report:

DRUG WHOLESALERS

Drug wholesalers strive to top '82 records

Continued from page 61

section show, drug wholesalers have responded in force.

A broader and more finely tuned merchandise mix has reinforced the competitive stance of both independent and small chain drug stores, who continue to battle encroachment not only by chain drug stores, but also supermarkets, discount stores and even convenience store chains. At the same time, wholesalers have convinced cost-conscious hospital administrators that they can alleviate spiraling costs by buying, warehousing and delivering many hospital products.

"Recognizing the specific needs of our customers, and then turning around and designing systems to meet them has been crucial to our success in recent years," observed NWDA president William Ford. "These systems and various support services have encouraged customers to rely more heavily on wholesalers as their primary source of supply.

The introduction of new or upgraded services, many of them the offshoot of both central office and warehouse computerization programs has also helped to cement the relationship between retail druggists and their wholesale suppliers.

"Our relationship with retailers," said the chairman of a major Texas wholesale firm, "is becoming less and less of a buyer/seller arrangement. More than ever before, retailers and wholesalers are working in partnership."

Wholesalers' Customer Sales Mix

(Weighted average—% of net sales)

	All firms						General line firms					
	1977	1978	1979	1980	1981	1982	1977	1978	1979	1980	1981	1982
Retail drug stores	63.30	62.41	60.71	59.44	56.97	56.10	63.96	63.36	61.67	60.50	58.20	56.89
Chain drug stores	21.52	20.61	20.80	21.59	22.77	22.30	21.38	20.75	20.88	21.67	22.82	22.34
Hospitals	10.45	10.91	11.38	11.90	14.10	15.64	10.41	10.42	10.89	11.28	13.42	14.60
Chain drug warehouses	2.70	3.77	4.66	4.22	3.32	3.41	2.18	3.18	4.02	3.65	2.58	3.55
Ciinics & nursing homes	0.99	0.82	0.82	0.82	0.97	1.00	1.03	0.84	0.85	0.85	1.02	1.03
Mass merchandisers & others	1.05	1.50	1.64	1.99	1.87	1.55	1.04	1.45	1.70	2.05	1.95	1.59
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: NWDA

Wholesalers' product sales mix

(Weighted averages—% of net sales)

	All firms						General line					
Product line	1977	1978	1979	1980	1981	1982	1977	1978	1979	1980	1981	1982
Pharmaceutical	62.63	62.79	63.42	63.64	64.74	65.34	61.33	61.75	62.47	62.74	63.64	64.67
Proprietary	16.81	17.93	17.25	17.25	17.61	15.53	17.20	18.21	17.49	17.44	17.86	15.46
Toiletry	10.22	10.04	9.70	10.66	9.29	9.51	10.74	10.44	10.08	11.12	9.75	9.88
Sundry	8.06	7.91	8.32	7.00	6.76	7.89	8.34	8.22	8.60	7.25	7.07	8.20
Other	2.27	1.33	1.32	1.41	1.60	1.73	2.39	1.37	1.36	1.45	1.68	1.79
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: NWDA

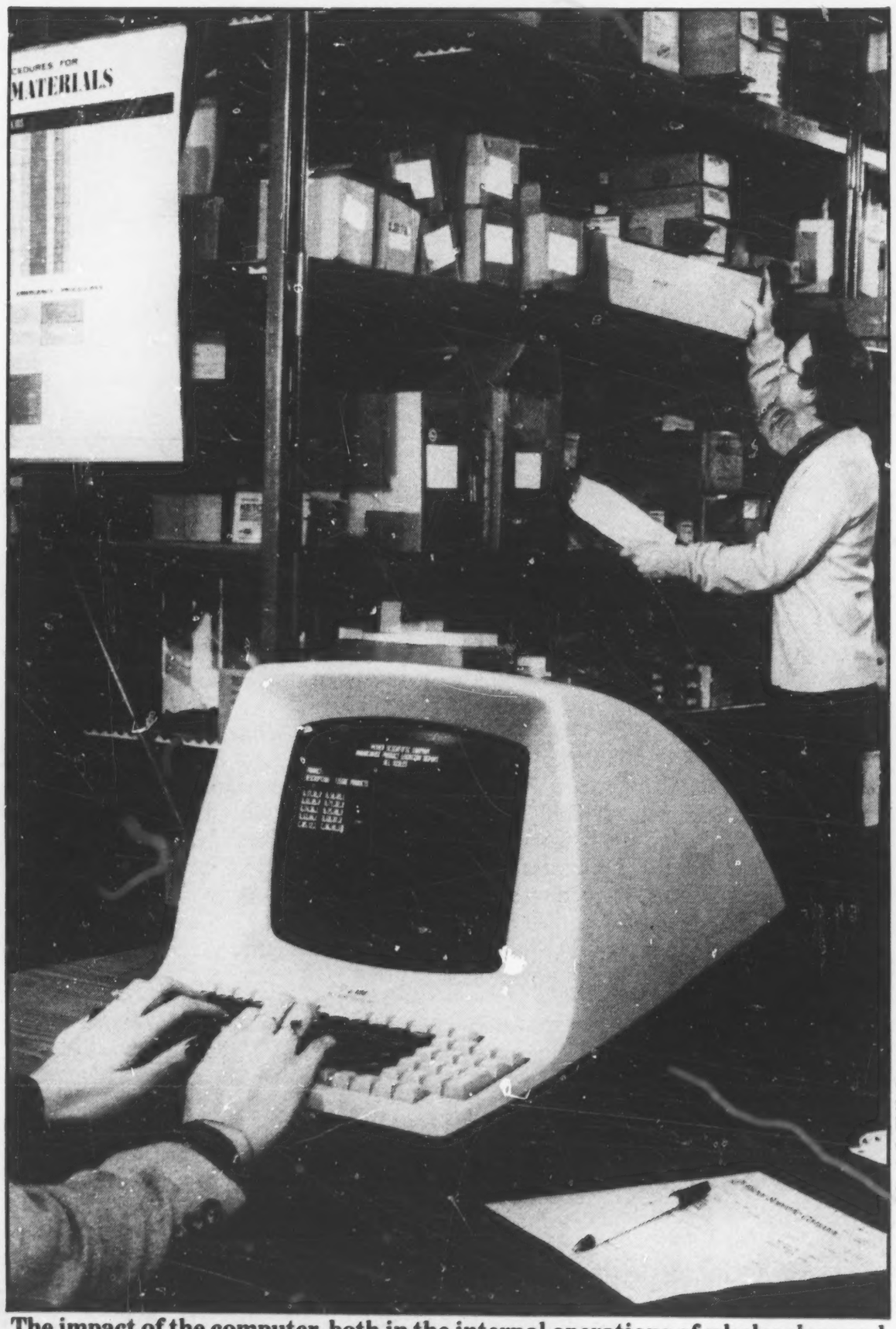
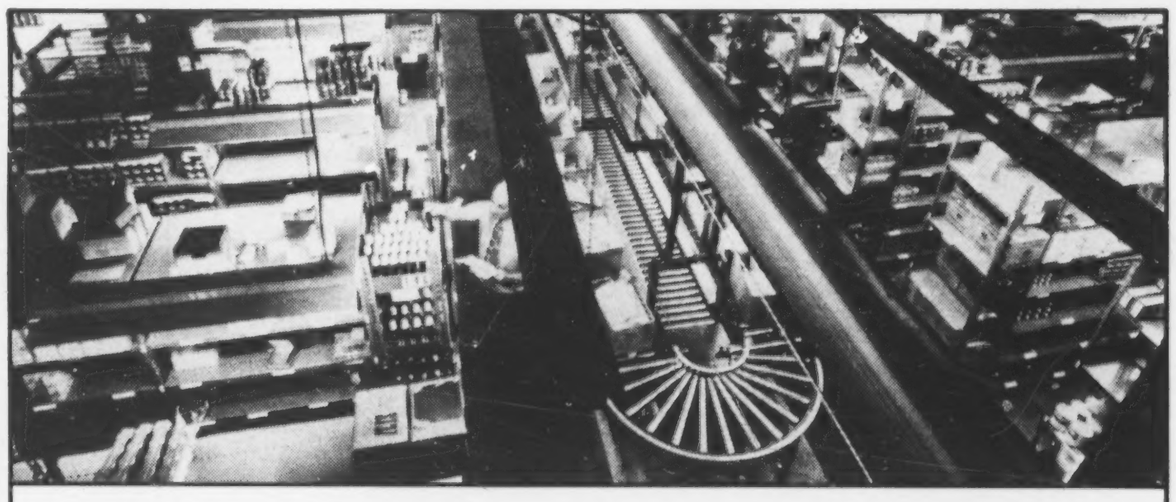


Photo courtesy of Jervis B. Webb Company

The impact of the computer, both in the internal operations of wholesalers and in providing retail services, has been a major factor in bringing about changes in the drug wholesaling industry.



Wholesalers highly rated by independent Rxmen

Frequent deliveries, fair pricing and credit allowances, plus strong deals and discounts are among the most important things that independent retail pharmacists look for from their wholesalers.

And, according to a recent National Association of Retail Druggists membership survey, the wholesalers are getting good grades on all these counts from independent pharmacists.

Overall, 71% of the NARD members polled said that they preferred using wholesalers instead of buying direct from manufacturers.

Eighty-five per cent of the independents surveyed said they were satisfied with prices and credit policies offered by their wholesalers, although 47% felt that they could get better pricing by forming co-ops.

More than 80% approved of the discounts and deals wholesalers provide. By the same wide majority, 87% of the respondents said they were getting deliveries on a frequent enough basis.

While most NARD members said they were satisfied with the relationship with their wholesalers, 50% disapproved of the return-goods procedures. In addition, 50% of the respondents said they were not being supplied with enough front-end merchandise. Among the items they said they want to carry more of are cosmetics, home health care products and school supplies.

The broader problem of shortages and out-of-stock products, and specifically the difficulty in obtaining generic drugs, were among the other areas of concern frequently voiced by the independents.

Generally, NARD members said they were pleased with the level of service from their wholesalers. However, a number of independents said they wanted to receive additional merchandising assistance, marketing and advertising programs, as well as more internal management reports, inventory controls and expanded computer capabilities.

On the question of whether an independent should work with one wholesaler, slightly more than half of the NARD members leaned toward using more than one wholesaler.

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Repackager's growth worries Rxmen—p. 15

HANDISER

e packs lead in toothpaste—p. 55

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DRUG STORE NEWS

4/Incorporating **CHAIN STORE AGE Drug Magazine** Published by Lebhar-Friedman Inc./November 14, 1983

Sav-On opened its first food/drug combination store on the West Coast last month. The 47,000-sq.-ft. store has four major innovations that distinguish it from combos operated by its parent, Jewel Cos. One is a large L-shaped vestibule (or bullpen) that includes a wall section (shown above) housing such items as radios, cassette recorders, speakers, portable music systems and clock radios. (Story page 3.)

Towle leaves Gray Drug Fair after two years

By Allen Mundth

CLEVELAND—Alvin Towle, president and general manager of Gray Drug Fair since January 1982, has been "relieved of his responsibilities" by parent company Sherwin-Williams.

His departure came just days after John G. Breen, Sherwin-Williams chairman, president and ceo, publicly expressed his disappointment with the drug stores' recent performance.

"We are not satisfied with the earnings performance in the drug store segment," Breen stated in a company-issued press release announcing results for the third quarter ended Sept. 30.

Towle, 45, left Shoppers Drug Mart's United States division to take over the reins at ailing Gray Drug Fair shortly after the three-region chain was acquired by the diversified paints and chemicals manufacturer and retailer in October 1981. By most indications, his efforts to rebuild the disheveled drug store operation were making gradual progress.

His performance, however, apparently fell short of goals established when he joined Sherwin-Williams which itself is still involved in a turnaround effort being orchestrated, in large part, by Breen.

Although industry sources speculate that Towle "ran out of time," Sherwin-Williams' 1982 proxy statement, filed March 14, 1983, indicates that he held a three-year contract with the company.

Said one top-level Gray Drug Fair employee hired last year by Towle, "This was entirely a business decision on the part of

Continued on page 62

Alvin Towle

'83 chain profits flourish

NEW YORK—Greater consumer confidence, computerization and prescription volume are the three main forces propelling 1983 chain drug profits upward at a faster rate than sales.

Typical performances include Pay Less N.W. which posted a 25.3% gain net income on a 7.8% sales increase for the six months ended July 31.

Also typical is Longs, which posted a net income increase of 17.2% on a sales gain of 8.7%.

Eckerd, which posted a net income gain of 1.5% on a sales increase of 11.8% for the year ended July 30 was one of the few companies failing to match the trend.

At Pay 'n Save, where net income gained 98% on a 10% sales rise, vice chairman Calvin Hendricks said, "All of the chains benefited from the improved economy.

"The confidence level of the consumer has increased. Consumers are not chafing as much. At Pay 'n Save, we benefited from the maturing of stores that were opened two years ago. We also benefited from lower interest rates," he said.

At Big B, Arthur Jones, vp of finance, said, "The first 90% of sales is to break even. The profit is in the last 10%. If sales go higher than that, the percentage of profit to sales increases. Profit snowballs in the last 10%."

Increased consumer confidence is helping earnings to outperform sales by approximately 5% at Big B if the chain's four food and drug combination stores are excluded. Overall, earnings are up approximately 30% on sales increases of 35%.

Chain executives and analysts said prescription volume, which produces higher gross

Continued on page 62

Fred Meyer goes public —again

By Mike Dunn

PORTLAND, Ore.—Fred Meyer Inc., is going public again, but it will not be the same company that was taken private on Dec. 11, 1981.

It will continue to be a multi-department retailer that operates 62 pharmacies in 69 stores averaging 104,000 sq. ft. And it will continue to be a major competitor of Pay 'n Save and Pay Less Northwest.

But the new company reports sharply lower earnings than the old one, and a major reason is that Fred Meyer no longer owns its real estate.

A second reason is that the company must repay high-interest loans secured two years ago. Those loans were either at the prime rate or at 17%.

Although Jerry Sadis, Fred Meyer's executive vp of finance, concedes the new company has a different financial base, he also said it has the same ability to increase its earnings.

"From an operating philoso-

Continued on page 61

Peoples buys 8-unit Md. Sav-A-Lot chain

ALEXANDRIA, Va.—Peoples Drug will advance into the Baltimore, Md., market for the first time with the acquisition of 8 of the 9 stores in the Sav-A-Lot drug chain.

Commenting on the acquisition, Peoples president Sheldon Fantle said, "Baltimore is a market that we've always felt we should be in. But, in the past, we've had other priorities. Now those priorities have been met and we are anxious to proceed.

"Baltimore," Fantle continued, "is a market that we've always felt we should be in. But we've had other priorities in the past. Now those priorities have been met and we are anxious to proceed."

The first of the chain's nine stores opened in Baltimore in

Continued on page 61

NACDS to offer booths at '85 pharmacy affairs conference

ALEXANDRIA, Va.—The National Association of Chain Drug Stores will hold its first "booth show" at the 1985 Pharmaceutical Affairs Conference, according to Robert J. Bolger, president of the association.

Bolger said pharmaceutical manufacturers will be invited to set up booths at the show, which is tentatively set for Chicago. The conference had been scheduled for the third week in July, Bolger added, "but we are trying for mid-September."

The addition of revenue-producing booths to the Pharmaceutical meeting is the latest in a series of changes that NACDS has made or is considering making in an effort to respond to the needs of chain and associate members.

Although the NACDS Board has discussed including booths at other product-oriented meetings—Cosmetics/Fragrances and Merchandising—no decision has been made.

In 1984, the association will take the first step in its revised approach to meetings with its "SuperSCOPE" conference.

SuperSCOPE is a combination of four previously separate meetings—SCOPE (primarily financial management); MIS (data processing and management of computer-generated information); Loss Prevention, and human resources.

The clustering of these four nonproduct-oriented meetings is being done because the subject matter of the four often overlaps and because it will reduce the financial burden of the chains. The meeting will be held Oct. 14-17 at the Crown Center Hotel in Kansas City.

Continued on page 62

LATE NEWS

AL WILENT will be joining Genovese Drug on Jan. 1 as vp, director of merchandising. Wilent is now vp of merchandising for Longs Drug.

LARRY PADGETT has resigned after serving nearly two years as president of Carl's Drug, the 35-store Rome, N.Y., chain owned by Boston-based Pneumo Corp. Padgett was divisional manager of Eckerd Drug's 160-store Dallas division before joining Carl's, a sister company of Pneumo's P & C Supermarket chain.

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News in brief

NWDA elects new officers

MAUI, Hawaii—NWDA members last month elected a new slate of officers and board members for 1983-84. Elmer M. Fiery, vp of Bergen Brunswig Corp., was elected chairman of the board; W. A. Williamson Jr., chairman of Durr Fillauer Medical Inc., was elected past chairman; Lawrence J. DuBow, president of Lawrence Pharmaceuticals Inc., was elected chairman-elect; Eugene L. Vykukal, president of Southwestern Drug Corp., was elected first vice chairman, and Rex Malson, exec vp of McKesson Drug, was elected second vice chairman.

Elected to three-year terms on the NWDA board were William L. Clifton Jr., vp Behrens Inc., David E. Mitiguy, president and treasurer of the Burlington Drug Co., and Henry Wale Smith, president of Smith Wholesale Drug Co.

Vidmar named Snyder merchandising vp

MINNETONKA, Minn.-Snyder Drug Stores, a division of the Wickes Companies Inc., has named Bill Vidmar vp of merchandising and marketing.

Vidmar will be responsible for the chain's purchasing, advertising and professional services. He joined Snyder in February as vp of retail store operations after serving as vp with Gamble Hardware, also a Wickes company.

Prior to coming to Wickes, Vidmar had been a divisional merchandise manager for Target Stores, a division of Dayton Hudson. Before that, he was a district manager with Walgreens.

Cough suppressants go OTC

ROCKVILLE, Md.—The Food and Drug Administration announced plans to shift two key cough-suppressant drugs—Endo's Tessalon and Riker's Ulo Syrup—from prescription to over-the-counter status. But at the same time, F.D.A. officials told *Drug Store News* that a final decision on the proposed switch may not be made until late 1984.

Benjamin S. Lehrman dies

HARRISBURG, Pa.—Benjamin Sachs Lehrman, former Rite Aid chairman, died last month at the Jewish Home of Greater Harrisburg. He was 76 years old.

Lehrman helped build his father's wholesale grocery business, Louis Lehrman Wholesale Grocers, into the Rite Aid drug chain.

His son Lewis, of New York, lost the 1982 New York gubernatorial election to Mario M. Cuomo. Other survivors are a son Gilbert, of Harrisburg; two daughters, Barbara Weinberger of Harrisburg and Lois Grass of New York; 13 grandchildren, and four great-grandchildren.

RPM legislation clears Senate

WASHINGTON—Legislation cutting off all Federal funding for the Justice Department's campaign for softer resale price maintenance restrictions cleared the Senate and was headed for a final Capitol Hill showdown.

The measure, introduced by Sen. Warren Rudman (R-N.H.) and a bi-partisan group of Senate leaders, was approved by voice vote as an amendment to the department's new appropriations bill.

Rudman's bill, which attracted support from the National Association of Chain Drug Stores and other key retail industry organizations, prohibits Justice antitrusters from using Government funds "for any activities the purpose of which is to overturn or alter the *per se* prohibition on resale price maintenance in effect under the Federal antitrust laws."

Perry opens 24-hour Windy City store

PONTIAC, Mich.—Perry has opened its first 24-hour drug store in Chicago. The chain, which has been rapidly expanding in the Windy City, plans three more stores within the next month.

2 deep discounters open Fla. units

NEW YORK—Two deep discounters have opened new units in Florida. Rochester-based Freddie's recently launched a new unit in Boca Raton, Fla., and Castle Drug of Chicago has branched into the West Palm Beach market.

CVS weighs warehouse growth in three regions

WOONSOCKET, R.I.—Anticipating the opening of at least 50 new stores each year, Consumer Value Stores (CVS) has announced tentative plans for the construction or lease of a 150,000-sq.-ft. bulk storage and promotional goods warehouse here.

The facility would replace much of the storage space currently leased by CVS in two Woonsocket-area buildings, one of which houses most of the promotional merchandise sold in the chain's 500 health and beauty aid stores. Many of these stores contain pharmacy departments.

The announcement follows the recent construction of a 35,000-sq.-ft. addition to the chain's central distribution center here. With 24 loading docks, the newly expanded center reflects the chain's efforts to streamline merchandise shipments to its 483 stores in Maine, New Hampshire, New York, Massachusetts, Connecticut, Rhode Island and New Jersey, as well as 15 health and beauty aid stores and two drug stores in southern California.

The chain is also reviewing various options for the construction, acquisition or lease of a new distribution center in southern California, as well as the addition of a "full-size distribution center" in southern New Jersey, northeast Pennsylvania or northern Maryland. Approximately 35% of the 50 new CVS stores expected to open in calendar year 1983 are located in that tristate area.

Except for a second new drug store in southern California, the balance of the new store openings this year are concentrated in CVS' conventional markets, including New England, New York, Pennsylvania and northern New Jersey.

Tentative plans for decentralizing its distribution system reflect the company's long-range growth plans.

"Distribution center growth will continue to run parallel with CVS store growth," Dave Jonson, senior vp for administration and control, said in a recent message to company employees. "Expansion activity has been planned for almost every year."

Although the chain has fallen short of its original goal for an accelerated store opening program on the West Coast, CVS is still intent on carving out a stronger market share in California, and possibly several other Western states. The chain's inability to locate and secure satisfactory store sites has been a major impediment to its West Coast expansion.

CVS president Stanley Goldstein emphasized, however, that the chain's first pharmacy in California, which opened last March in Los Angeles, is "doing well." He said CVS is looking forward to several more pharmacy openings in California during fiscal year 1984. Its second California pharmacy store opened earlier this month in the North Ridge section of Los Angeles.

According to Goldstein, CVS expects to compound its projected base of 50 new store openings per year by an additional five per year.

Much of this expansion will occur in freestanding, nonmall locations. However, sites in local and regional malls still account for a substantial share of new CVS stores, especially in malls where the chain's parent company, the Melville Corp., operates other retail outlets, such as Thom McAn shoes, Foxmoor, Chess King, Marshall's, Linen's 'N Things, Wilson's Leather and Kay-Bee Toys.

Thrifty's Perfecto remodels profit

LOS ANGELES—Thrifty Corp.'s continuation of its Perfecto remodeling program has helped the chain boost net income 23% for the year ended Aug. 31.

Net income for the year was $22.5 million, up from $18.3 million for fiscal 1982. Sales for the year ended Aug. 31 were $1.19 billion, up 5.5% from $1.13 billion for fiscal 1982.

Earnings per share for fiscal 1983 were $1.13, up from 92¢ per share in 1982.

The Perfecto program has progressed through approximately half of the chain's stores, and Jonathan Ziegler, an analyst with Dean Witter, said the remodeling program has resulted in better margins.

Although he said the chain continues to be a solid performer, he said he could find no reason for the improvement in same-store sales for the second half of the year.

Same-store sales increased 8.2% in the second half, bringing the same store sales increase for the fiscal year to 6.8%.

Same-store sales gains are measured only at stores that have been open two years.

Dart veteran named Trak ad chief

LANDOVER, Md.—Ben S. Kovalsky has been named executive vp responsible for all purchasing and advertising at Dart Drug and Trak Auto stores, directors of the Dart Drug Corporation have announced.

Kovalsky, who joined Dart Drug 27 years ago as a drug store clerk, will also continue to serve as president and chief operating officer of Trak, as well as a member of the boards of directors of both Dart Drug and Trak Auto corporations.

Kovalsky, who has been instrumental in Dart's rapid expansion into auto parts retailing, said the promotion from senior vp to executive vp reflects continued growth of both Trak Auto and Dart Drug store divisions.

Dart's Trak Auto venture, which involves a 50-50 partnership west of the Mississippi River with Los Angeles-based Thrifty Drug, has greatly overshadowed expansion of the drug store segment in recent years. In fact, the number of Dart Drug stores has remained relatively constant during the last three years.

However, Kovalsky told *Drug Store News* that the opening of a new Dart Drug store later this year and three other openings scheduled for early 1984 reflect "signs of some new growth in the drug store area for next year and beyond." He said expansion of the drug store segment will be limited to those geographic areas where Dart currently operates its 69 drug stores—primarily the Mid-Atlantic States and Washington, D.C.

Ben S. Kovalsky

Trak Auto, on the other hand, will continue to grow by leaps and bounds, Kovalsky said.

Three new Trak Auto stores will open later this year in the company's Eastern division and by the close of 1984, another 12 Trak Auto stores will open there. In addition, Trak Auto is proceeding with plans to open up to 30 new Trak Auto stores in and around Chicago during calendar 1984. A new warehouse will also open in Chicago to service the Windy City's network of Trak Auto stores.

The 40-store Trak Auto West operation, owned jointly by Dart and Thrifty Drug, will double in size to 80 stores by the end of 1984, Kovalsky said. A 150,000-sq.-ft. warehouse in City of Commerce, Calif., has been leased to service the rapidly growing chain.

In addition to his job as a stock clerk, Kovalsky has held posts at Dart Drug as pharmacy intern, assistant drug store manager, central office buyer, merchandise manager, vp/merchandising and advertising and senior vp/merchandising and advertising.

Talking scanner: the end of the silent screen?

PLYMOUTH TOWNSHIP, Mich.—Family Discount Drug, a 22,100-sq.-ft. drug store operated by Allied Supermarkets, has installed talking cash registers.

The supermarket chain believes this is the first talking cash register to be used by a United States chain drug store. According to Joseph Mocnik, vp and general manager of Allied's Great Scott Supermarkets and Family Discount Drug division, a cashier passes a product over the scanner and a female voice calls out the price of each item. The identity and price are printed on a display panel as well as on the itemized receipt.

Mocnik said the talking scanners will be installed in additional Family Discount Drug Stores. Currently, Allied operates three other drug units in the Metro Detroit Area. Industry sources expect Allied to convert several existing supermarkets into drug outlets and become another competitor in the Michigan drug store arena.

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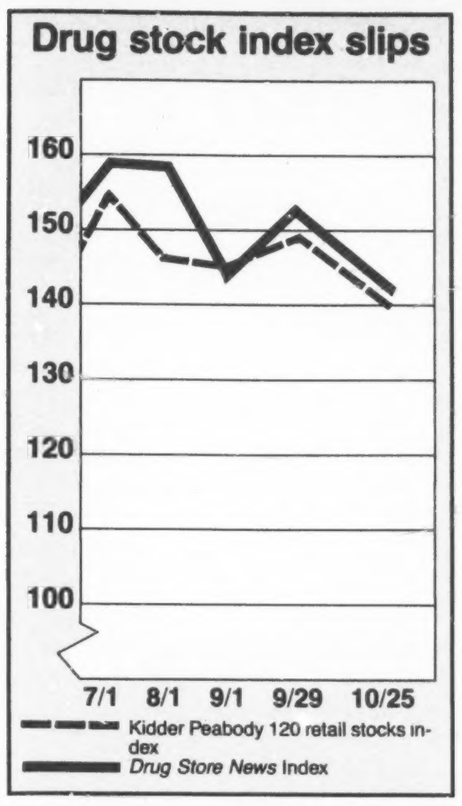
FINANCIAL

18 top chains' index

Most stocks decline



NEW YORK—Chain drug stocks continued their roller coaster performance in October as the *Drug Store News* Index of the 18 largest publicly heid companies slid to 146.5 on Oct. 25, down from 150 on Sept. 29.

The performance of the stocks was similar to the performance of the entire retail industry. The Kidder Peabody index of 120 retail companies also fell, dropping to 144.1 from 147 in the same period.

The drug stocks had outperformed other retailers between February and Sept. 1. But since then, drug stocks have performed virtually the same as others.

Although most of the drug stocks had a lackluster performance in October, Walgreens rose from 34⅞ on Sept. 29 to 37⅝ on Oct. 25.

Hook earnings leap 20.3%

INDIANAPOLIS—A burst of new store activity helped Hook Drug Inc. record substantial gains in sales and earnings for the third quarter of fiscal 1983.

For the quarter ended Sept. 30, Hook generated sales of $79.2 million, an 11.1% increase over 1982. Earnings jumped 20.3% to $1.8 million.

Hook's president and chairman, J. Douglas Reeves, described the quarter as "one of the most ambitious periods of corporate growth in the last three years." During the quarter, Reeves said, eight new drug stores were opened and the three-year, multimillion dollar distribution and service center expansion.

Sales for the nine months ended Sept. 30 climbed 13.5% to $232.7 million, while nine month earnings were reported at $5.6 million.

Reeves concluded, "These third-quarter accomplishments, coupled with the complementary efforts slated for the final quarter of 1983—and the accomplishments recorded in the company's first and second quarters—will result in an especially outstanding year."

Bindley income soars

INDIANAPOLIS—Net income increased 85% to $723,000 at Bindley Western for the quarter ended Sept. 30, an increase from $390,000 for the comparable quarter in 1982.

Sales for the quarter were $115.9 million, up 9.4% from the $106 million for the third quarter last year. Earnings per share for the quarter were 28¢, up from 18¢.

For the first three quarters, net income was $2.08 million, up 47% from $1.4 million for the comparable period last year.

Sales for the first three quarters were $348.6 million, up 11.5% from $312.7 million last year. Earnings per share for the first three quarters were 89¢, up from 65¢ last year.

Peoples: 7¢ dividend

ALEXANDRIA, Va.—Peoples Drug Stores will pay a quarterly cash dividend of 7¢ per share on the company's common stock.

The dividend will be paid on Jan. 2, 1984, to stockholders of record at the close of business on Nov. 25, 1983.

Genovese rises 26% to top chain drug stocks

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		10/7/83-10/24/83							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date			Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio				Last Fiscal Year			Long Term Debt	Common Stock Equity	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	24.88	20.00	20.50	-2.13	-9.39	24.88	7.25	.30	.02	3.37	-46.21	1.12	.36 S	41.3	17.0	1.6	16.7	.04	.2	09-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	44.00	39.00	39.88	-3.13	-7.27	44.00	18.72	.33	-1.12	2.69	9.47	2.69	.85 S	37.6	45.0	1.2	12.8	.48	1.2	09-20-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	22.00	22.00	22.00	.00	.00	24.00	9.50	.03	.27	-6.67	50.00	1.47	1.52 Q	NC	-11.0	1.4	14.5	.68	3.1	10-14-83	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	12.88	12.00	12.00	-1.13	-8.57	14.50	5.25	-.26	-.36	-4.25	16.48	.39	.09 S	25.7	25.0	2.9	27.3	.00	.0	09-21-83	87.4	2.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	78.00	65.00	66.00	-10.00	-13.16	148.00	19.25	-.42	.87	-.86	-1.67	5.43	5.52 S	203.6	133.0	3.1	8.0	.13	.2	09-02-83	291.8	9.1	2.0	12.01	28.91	0183
Eckerd, Jack	ECK	27.63	25.13	26.50	-.75	-2.75	34.88	22.88	.23	.93	-2.16	21.43	1.91	.01 F	.5	6.0	3.1	13.9	.96	3.6	08-08-83	2325.0	71.7	2.3	.35	14.19	0782
Fays Drug	FAY	13.50	11.75	13.25	1.38	11.58	13.50	4.16	.28	1.67	1.17	17.11	.48	.17 S	48.5	34.0	2.0	25.5	.16	1.2	09-06-83	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	17.88	13.00	16.38	3.38	25.96	17.88	4.53	1.28	1.07	.12	-24.71	.67	.25 S	47.1	33.0	1.6	21.0	.16	1.0	10-06-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	26.00	25.50	26.00	.75	2.97	29.75	14.34	-.02	.27	.01	-28.48	1.52	.72 S	57.6	9.0	2.3	13.2	1.00	3.8	10-07-83	285.2	6.6	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	45.50	43.63	44.38	.13	.28	50.13	33.75	.15	.02	-2.67	3.76	2.92	.30 S	10.4	10.0	2.8	14.0	1.12	2.5	08-24-83	1123.2	30.9	1.8	.00	18.76	0183
Pay N Save	PAYN	26.00	23.50	23.63	-.88	-3.57	27.25	13.00	-.15	-1.27	-1.75	5.48	1.52	.77 S	66.3	2.0	1.6	12.2	.56	2.4	08-15-83	1043.2	16.8	2.3	17.01	14.32	0183
Pay Less NW	PAY	18.00	15.50	15.75	-2.00	-11.27	20.19	12.25	-.60	-.98	1.76	-8.15	1.07	.16 S	16.3	-1.0	2.5	13.8	.28	1.8	07-22-83	784.7	19.4	2.0	5.26	6.07	0183
Peoples Drug	PDG	29.38	26.88	26.88	-2.25	-7.73	31.75	16.09	-.14	-1.21	1.77	54.20	1.39	.36 N	27.0	22.0	1.5	15.9	.28	1.0	07-11-83	688.4	10.5	1.9	4.97	10.08	0982
Perry Drug	PDS	22.38	19.50	20.88	1.13	5.70	22.38	6.66	.81	-.31	-1.52	-37.86	.73	.08 N	10.3	4.0	1.2	24.6	.20	1.0	08-15-83	244.3	2.9	1.9	6.04	6.50	1082
Revco Drug	RDS	36.25	34.25	35.00	-.63	-1.75	36.25	25.09	.24	-.28	-3.53	10.10	2.13	.53 Q	31.3	25.0	3.7	15.8	.68	1.9	08-22-83	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	43.50	38.75	39.25	-1.25	-3.09	44.75	28.19	.18	-.78	-2.70	-10.70	2.37	.52 S	25.6	27.0	3.9	15.4	.64	1.6	10-11-83	1294.7	49.9	1.7	1.17	12.38	0283
Thrifty Cp	TFD	20.50	18.38	18.75	-.75	-3.85	25.25	8.50	.37	-.51	-.17	-36.15	1.13	.21 F	22.8	18.0	1.9	16.6	.46	2.5	08-04-83	1187.8	22.5	1.5	5.62	6.14	0882
Walgreen Co	WAG	37.50	36.50	37.00	.63	1.72	38.13	24.31	.32	.16	4.69	-3.22	2.25	.39 F	20.9	36.0	2.9	16.4	.72	1.9	11-04-83	2360.6	69.0	1.5	1.79	9.81	0882
Wholesaler's transactions																											
Bergen Bruns	BBCA	31.88	28.00	28.13	-2.75	-8.91	39.50	22.19	-.17	.26	-.20	11.52	1.60	.25 F	18.5	49.0	1.4	17.6	.32	1.1	10-26-83	1452.0	20.0	1.7	4.09	7.72	0882
McKesson Cp	MCK	40.75	37.50	39.00	-1.50	-3.70	51.00	37.50	-.52	1.09	-.99	-10.42	3.44	-.17 Q	-4.5	6.0	1.6	11.0	2.40	6.2	08-26-83	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	25.75	24.75	24.75	-1.75	-6.60	28.50	23.75	-.41	.06	1.63	-31.80	.94	1.06 Q	NC	970.0	.7	23.3	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	16.25	14.88	14.88	-1.13	-7.03	17.81	4.19	.25	-.17	-5.76	-61.76	.89	.48 Q	111.6	258.0	.4	16.3	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	17.75	17.00	17.00	-.50	-2.86	19.25	12.50	.07	.26	-6.42	-63.08	.77	-.02 S	-1.6	3.0	.7	14.5	.32	1.9	08-17-83	211.4	1.5	2.8	10.55	9.76	1282
Spectro Indus	SPO	22.75	19.63	20.00	-2.63	-11.60	28.75	13.69	.11	-1.59	1.88	23.48	1.35	.34 S	30.0	50.0	1.6	13.6	.14	.7	09-19-83	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	53.38	50.50	51.25	-.88	-1.68	53.38	34.25	.31	.10	1.66	-5.72	2.37	.44 N	19.4	26.0	11.1	19.0	1.00	2.0	10-07-83	2602.4	289.1	1.3	1.56	10.74	1282
Am Home Prod	AHP	53.38	50.25	53.13	1.50	2.91	53.38	41.75	.36	1.61	2.09	14.62	3.59	.39 N	11.1	16.0	12.2	13.7	2.40	4.5	08-08-83	4582.1	560.1	2.7	.00	11.83	1282
Baxter Travenol	BAX	59.88	53.25	54.00	-5.88	-9.81	62.63	43.50	-.26	-.86	-.25	-3.72	2.44	.52 N	22.6	25.0	11.2	19.1	.56	1.0	09-02-83	1671.4	186.9	2.0	2.36	15.04	1282
Block Drugs Co	BLOCA	28.00	27.00	27.00	-1.00	-3.57	35.50	18.13	-.26	.07	-1.50	-5.00	2.93	.38 Q	14.4	14.0	9.7	9.0	1.00	3.7	08-26-83	219.0	21.3	2.5	2.42	18.37	0383
Bristol-Myers	BMY	47.50	44.25	47.25	1.00	2.16	47.50	31.19	.74	1.18	-1.95	-2.82	2.59	.32 S	13.0	18.0	9.7	17.1	1.20	2.5	10-03-83	3599.9	348.7	2.3	.84	12.68	1282
Carter-Wallace	CAR	23.63	20.13	22.38	1.88	9.15	29.00	16.88	.18	1.74	-.53	-4.53	2.12	.53 Q	32.9	39.0	5.7	10.5	.44	2.0	08-01-83	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	38.38	34.75	37.00	-.88	-2.31	49.00	19.81	-.11	.89	-3.03	23.90	.85	.49 N	58.3	22.0	3.4	27.8	.40	1.1	09-09-83	363.2	12.3	2.7	11.11	9.38	1082
Forest Labs	FRX	35.13	32.00	32.13	-2.88	-8.21	40.75	12.50	-.05	-.60	.21	-5.19	.48	-.04 Q	-7.6	135.0	13.4	66.9	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	9.38	8.25	8.38	-.38	-4.29	15.25	6.25	-.88	-1.19	-4.15	4.01	.42	-.18 S	-39.1	124.0	7.8	29.9	.00	.0	00-00-00	38.7	3.0	1.8	.65	3.81	1182
Key Pharm	KPH	31.13	23.75	23.75	-7.50	-24.00	38.88	23.00	-.66	-2.73	1.99	53.71	.51	.27 S	81.8	172.0	14.9	39.6	.22	.9	09-12-83	82.3	12.3	1.6	.04	1.70	1282
Lilly Eli Co	LLY	65.75	63.13	64.75	.13	.19	67.50	55.38	.24	.62	-.29	-7.20	5.42	.62 N	11.8	13.0	13.9	11.0	2.90	4.5	08-09-83	2962.7	411.8	1.9	.65	27.10	1282
Lee Pharm	LPH	2.63	2.25	2.25	-.38	-14.29	4.38	2.00	-.34	-3.23	-.37	34.07	-.65	.72 N	NE	-132.0	-12.6	NE	.00	.0	00-00-00	10.3	-1.3	1.9	.46	1.98	0982
Marion Labs	MKC	46.75	42.88	44.00	-3.25	-6.88	48.00	22.06	.74	.19	-.75	30.01	.78	.28 F	56.0	4.0	8.2	56.4	.32	.7	09-14-83	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	104.63	99.63	100.63	-1.38	-1.35	104.63	78.50	.41	.01	1.64	2.57	5.61	.51 N	9.2	9.0	13.6	16.7	2.80	2.8	08-29-83	3063.0	415.1	2.1	4.56	29.81	1282
Morton Thiokol	MTI	80.50	75.50	76.25	-2.38	-3.02	80.50	48.13	.32	-.28	.95	25.48	5.15	1.45 Q	35.8	16.0	5.2	13.9	1.60	2.1	08-25-83	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	8.75	7.88	8.63	.13	1.47	11.38	5.25	-.65	1.73	-.74	8.33	-.03	.01 Q	NE	56.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	43.88	39.38	40.75	-3.13	-7.12	44.75	33.00	.33	-.34	1.51	-38.45	2.13	.58 N	28.5	15.0	9.6	15.6	1.16	2.0	07-01-83	3453.6	332.8	2.0	3.37	12.82	1282
Reid Prov Labs	REID	3.25	2.75	3.25	.25	8.33	6.09	1.19	-.80	4.55	2.63	-39.36	.10	.04 F	66.6	57.0	6.1	32.5	.05	1.5	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	29.00	25.13	26.75	-2.38	-8.15	29.38	15.88	.13	-.14	1.69	8.88	1.98	.47 S	25.9	19.0	10.1	11.7	.68	2.5	08-18-83	482.3	48.7	4.0	1.50	13.29	1282
Rorer Group	ROR	28.00	26.50	27.00	-.88	-3.14	31.13	21.25	.03	.16	-.04	12.71	1.82	.07 S	3.9	12.0	9.0	14.6	1.04	3.9	08-04-83	402.4	36.3	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	19.50	16.50	17.00	-2.00	-10.53	29.63	16.38	-.49	.41	-3.91	-19.21	1.13	-.04 Q	-3.8	8.0	5.2	17.2	.30	1.8	09-07-83	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	52.75	49.25	51.88	-.50	-.95	55.88	34.75	-.17	.32	-.31	10.30	2.77	-.13 N	-5.1	25.0	13.5	21.8	.52	1.0	08-09-83	1036.9	140.4	2.2	4.10	13.32	1282
Squibb Corp	SQB	55.63	49.50	50.50	-4.13	-7.55	55.63	38.25	.25	.02	.44	-35.31	3.01	1.81 S	141.4	2.0	9.2	16.3	1.34	2.7	08-15-83	1660.8	153.6	2.3	6.54	21.29	1282
Sterling Drug	STY	29.13	27.50	28.00	-.50	-1.75	29.13	21.75	.50	.40	.88	-8.31	2.17	-.02 S	-.9	9.0	7.3	13.0	1.12	4.0	08-11-83	1796.2	132.0	2.8	1.19	14.16	1282
Syntex Corp	SYN	60.50	56.63	58.25	-2.13	-3.52	62.50	44.13	.42	.37	-1.64	-21.05	4.30	.45 F	11.6	47.0	17.2	13.5	1.40	2.4	08-15-83	870.2	149.3	2.2	1.11	17.03	0782
Thompson Med	TM	26.00	14.25	14.63	-10.25	-41.21	26.00	6.84	-.65	-5.88	10.02	1.61	1.16	.48 N	43.2	69.0	12.7	9.2	.28	1.9	09-26-83	91.0	11.6	4.5	.00	4.53	1182
Upjohn Co	UPJ	61.88	59.00	59.00	-2.75	-4.45	68.75	42.75	.45	-.07	.13	-7.56	4.18	.10 N	2.0	5.0	6.9	11.8	2.28	3.9	09-30-83	1828.7	126.0	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	31.38	29.13	29.50	-1.38	-4.45	35.00	25.75	.36	.00	-2.79	-18.49	2.05	.20 S	10.1	-4.0	5.0	13.5	1.40	4.7	08-01-83	3246.0	163.2	2.1	8.51	17.28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

*** — Other than a quarterly multiple resulting from a fiscal year change.**

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

- Special report: Rx operations survey

PHARMACY

Chain Rx dept. performance hits jackpot

By Joe Caputo, R.Ph.

NEW YORK—Chain drug pharmacy departments are enjoying a banner year, with continued growth in script count, increased dollar volume, higher gross margins and greater pharmacist productivity, according to *Drug Store News'* latest national pharmacy survey.

The survey, completed last month, drew responses from drug chains operating 2,246 pharmacy departments.

The results clearly indicate the pharmacy's key role in overall sales performance. In virtually every area measured, prescription departments emerged as winners. For example:

- Scripts dispensed per hour of operation increased to 9.8 from 9.4 in 1982, and scripts filled weekly per pharmacist rose to 360 from 348.
- Dollar volume per hour of operation reached a total of $104 from $92 in 1982, and dollar sales per pharmacist increased to $3,823 per week from $3,408.
- Sales per square foot rose to $1,093 from $982 last year.

Increases were also chalked up in the average cost of prescription department inventory (up $2,450); turnover hit a new high of 7.4 times a year, and the size of the average department increased to 382 sq. ft.

The survey also found a substantial increase in the percentage of pharmaceuticals shipped directly to chain warehouses or stores—seven percentage points to 77%.

In addition, the salary of the average chain pharmacist increased by more than $4,000 to $31,337, exclusive of bonus and benefits. Staffing remained unchanged, however. The average pharmacy department now employs 2.1 pharmacists and 1.5 technicians. Hours of operation declined slightly to 77.2 per week from 77.4.

Other facts that emerged from the study include the following.

- Overall pharmacy sales increased 12% to $417,461 per outlet.
- Annual script count rose 3% to an average of 39,270 per department.
- Average retail script price increased 84¢ to $10.63.
- Gross margin for the department now averages 35.5%, a gain of 0.1 of a percentage point.

Rx department productivity rises

	1982	1983*
Scripts/hour of operation	9.44	9.79
Scripts/pharmacist/week	348	360
$ Volume/hour of operation	$92.46	$103.99
$ Volume/pharmacist/week	$3,407.66	$3,822.90
$ Volume/Sq. Ft.	$981.83	$1,092.83

*Projected for full year

Source: *Drug Store News* survey

30

NUTS—EVERYTHING THEY'RE

Health conscious consumers view nuts as a fun and tasty way to meet their nutritional needs.

Due to reduced export opportunities, United States growers of tree nuts placed extra emphasis on domestic promotions of several major varieties last year.

The results seemed to pay off, as per capita consumption of tree-grown nuts topped the 2-lb. mark for the first time ever. Consumption increases were greatest last year for almonds, filberts and macadamias.

Whether in their pure form or blended into a variety of snacks, tree grown nuts are being included in the diets of more American consumers than ever before.

Almonds and walnuts are among the primary ingredients used in a large assortment of prepackaged trail mixes and other snacks sold in the natural departments of many chain drug stores. Because they are wholesome, nutritious, easy to consume and crunchy, they are being commonly substituted for more conventional snacks, such as candy bars and

Blue Diamond®—the world's best-selling line-up of almond snacks!

Line up a shelf with Blue Diamond's tantalizing snack almond flavors and start toting up the profits. These famous almonds get instant recognition and acceptance by your customers...reinforced by the biggest year-round advertis-

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potato chips.

Nuts can be easily stored without chemical preservatives, and are therefore especially popular with today's health conscious consumer. Because they are perceived as being healthful foods, almonds, walnuts and other varieties enhance the nutritional image of drug store natural product departments.

According to the Almond and Walnut Boards of California, nuts contain a variety of essential vitamins and minerals, including vitamins E, A and C, magnesium, calcium, copper, phosphorous and riboflavin. Many of these are precisely the same nutrients consumers believe they are lacking in their daily diets.

Although they have a year-round appeal in natural product centers, tree grown nuts are especially popular with consumers during major religious and national holidays. Drug store retailers across the country have used mass displays, often with self-serve scoop bins, to satisfy the impulse nature of nut sales preceding the Thanksgiving, Christmas and Easter holidays.

Per capita consumption
Pounds

Crop Year	Almonds	Filberts	Pecans	Walnuts	Macadamias	Other	Total
1970	.34	.06	.36	.38	.020	.60	1.76
1971	.37	.07	.38	.42	.021	.62	1.88
1972	.36	.07	.38	.39	.019	.72	1.94
1973	.26	.10	.36	.40	.017	.57	1.71
1974	.26	.05	.34	.43	.023	.45	1.55
1975	.35	.08	.33	.52	.025	.61	1.91
1976	.42	.08	.29	.52	.026	.56	1.89
1977	.45	.07	.31	.51	.027	.33	1.70
1978	.40	.08	.33	.39	.028	.47	1.70
1979	.37	.04	.40	.48	.036	.41	1.73
1980	.42	.05	.38	.50	.044	.33	1.72
1981	.51	.05	.38	.49	.044	.33	1.80
1982	.59	.06	.40	.46	.047	.47	2.03

Source: Almond Board of California

ing program in the business. So make a little room in your store for a big new profit center.

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NATURAL CENTERS SPUR VITAMIN SALES GROWTH

Recognizing their success in drug stores, supermarkets and mass merchandisers are expanding vitamin departments to attract increased sales.

Most major drug store merchandise departments have at least one product category that serves as an anchor.

In natural departments, that category is without doubt, vitamins.

With annual retail sales of nutritional supplements (primarily vitamins) estimated at $2.6 billion last year, this category has long been a traditional drug store commodity. But it's only in recent years that mass market retailers, such as K mart, Sears and even 7-Eleven have moved decisively to create, and then capture, a larger segment of this growing business.

The $2.6 billion figure represents a 6% increase over vitamin sales through all retail outlets in 1981 according to the Council for Responsible Nutrition, a trade association representing manufacturers of vitamins, minerals and other food supplements. Vitamin sales in 1981 were 17% ahead of the prior year.

Whether the decline in the growth rate indicates a maturing industry is uncertain. As one health foods distributor commented, "only 50% of the population today is taking vitamins. Therefore, every 1 per cent increase represents a substantial amount of business for retailers."

Based upon research from various sources, the CRN estimates that vitamins account for the lion's share of the nutritional supplement market with $2.23 billion in sales last year. Minerals accounted for $250 million in retail sales; protein supplements (powders and tablets) $105 million, and other categories $10 million.

In the vitamin segment of the business, multiples accounted for an estimated 39% of all sales, followed by vitamin C with 22%; vitamin E with 16%; B-complex vitamins with 18%, and all others, 5%.

While chain drug and other mass merchandise outlets account for the bulk (31%) of all nutritional supplement sales, their share slipped by one percentage point last year, while that of supermarkets grew by two points to 16%. The share of supplement sales through health food stores increased last year by 1% to 28% of the market.

Natural product departments in supermarkets, drug store and other mass merchandise stores accounted for a significant portion of the growth last year in vitamin, mineral and other supplement sales.

Supplement sales in supermarket natural product departments grew to $136 million in 1981, and then jumped another 40% last

Continued on next page

CHANNELS OF DISTRIBUTION FOR VITAMINS/SUPPLEMENTS

1982/1981 $MM

Source: Center for Responsible Nutrition, June 1983.

BOOKS, MAGAZINES KEEP CUSTOMERS INFORMED

With most mass market natural departments operated on a selfservice basis, books and magazines can be effective tools in helping to educate consumers.

Although their locations are often not as convenient as those of chain drug stores, health food stores do hold a definite edge in their ability to educate consumers about the products on their shelves.

In fact, this prompt, personalized service is perhaps the key factor separating the pure health food store from the mass market seller of natural products. In keeping with their self-service formats, most drug retailers have kept special staffing of their natural products departments to a minimum. Often, these savings are passed along to consumers in lower prices.

Many chains use specialized books, magazines and in-store informational aids as a low cost way to educate consumers about natural products.

SupeRx, which has attributed its initial problems with natural foods to an uneducated consumer, has included 4-8 ft. book and magazine sections in dozens of its larger nutrition centers.

Consumer magazines, of course, not only help educate customers about health

related issues and products. They also promote, often with cents-off coupons, many of the products featured in natural product departments. In drug stores, pharmacists will often refer a customer with specific questions to a book or magazine.

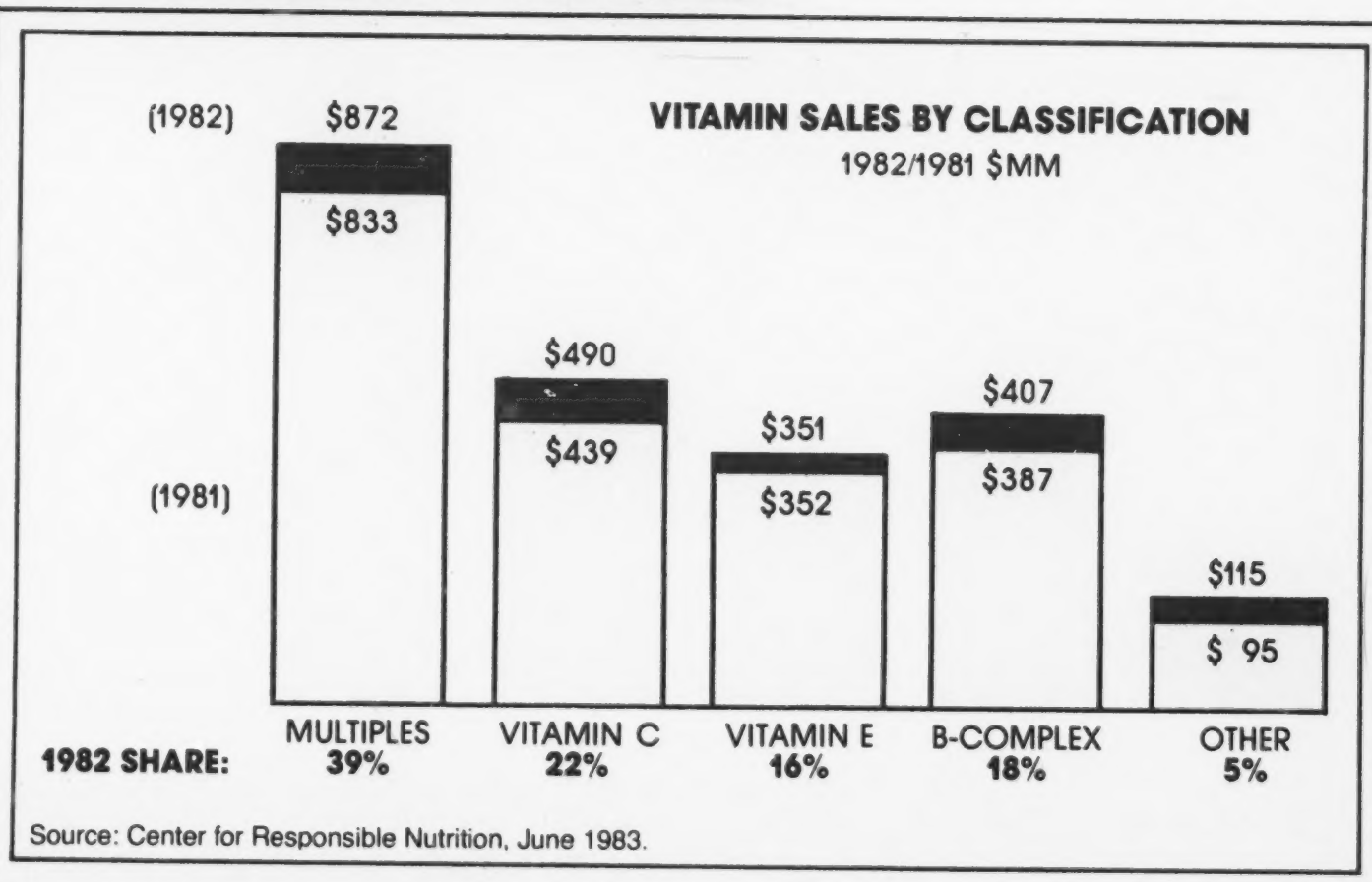
Prevention, the leading consumer publication in the health products industry, is currently expanding its newsstand program to attract a larger number of nonsubscription readers. Radio spots are being used in key metropolitan areas such as Los Angeles, to inform customers that Prevention is now available at their neighborhood food or drug store.

NATURAL DEPTS: $250M IN VITAMIN SALES

Continued from previous page

year to $190 million last year. Natural product departments in drug and other mass merchandise outlets generated $26 million in supplement sales in 1981 and $52 million (a 100% increase) in 1982.

Much of this increase, of course, represents products that were traditionally carried only by health food stores. Naturite, a California-based manufacturer, has emerged as a key supplier of natural vitamins to natural product departments in drug stores.



Source: Center for Responsible Nutrition, June 1983.

WHO'S DOING WHAT WITH NATURAL PRODUCTS

Company Name and Location	Total # Stores	No. of Stores w/ Natural Depts.	Size of Typical Natural Dept.	Snacks/ Foods	Vitamins/ Minerals	Hair & Skin Care	Beverage/ Herbal Teas	Books & Magazines	Color Cosmetics	Natural Private Label
Adams Drug Pawtucket, R.I.	450	Some products carried in line, all stores	—	Yes	Yes	Yes	Yes	Yes	No	Vitamins
Eckerd Drug Clearwater, Fla.	1,260	Some products carried in line, all stores	—	Yes	Yes	Yes	Yes	Yes	Yes	Vitamins
Fay's Drug Liverpool, N.Y.	98	14 (test stores)	40 linear feet	Yes	Yes	Yes	Yes	Yes	No	Vitamins
Genovese Drug Melville, N.Y.	66	6	40 linear feet	Yes	Yes	Yes	Yes	Yes	No	Vitamins
Gray Drug Fair Cleveland, Ohio	401	12 (test stores)	28-32 linear feet	Yes	Yes	Yes	No	No	Yes	Vitamins
Guild Drug Los Angeles, Calif.	9	7	20-40 linear feet	Yes	Yes	Yes	Yes	Yes	Yes	Vitamins
Happy Harry's Newark, Del.	15	Plans under way for 2 test units	—	Yes	Yes	Yes	No	In-line	Under review	Vitamins
Jewel Cos. Chicago, Ill.	300	8 Buttrey's combos 3 Osco Drug	20 linear feet	Yes	Yes	Yes	Yes	No	Yes	Vitamins
Keltsch Drug Fort Wayne, Ind.	10	3	16-36 linear feet	Yes	Yes	Yes	Yes	Yes	No	Vitamins
Lewis Drug Sioux Falls, S.D.	5	4	20-28 linear feet	Yes	Yes	Yes	Yes	Yes	No	No
Long s Drug Walnut Creek, Calif.	170	Some products carried in line, all stores	—	Yes	Yes	Yes	Yes	In-line	Yes	Vitamins
Medi Mart Quincy, Mass.	50	12	24-36 linear feet	Yes	Yes	Yes	Yes	Yes	Yes	Vitamins
PayLess Northwest Wilsonville, Ore.	145	Some products carried in line, all stores	8-12 linear feet	Yes	Yes	Yes	Yes	No	Yes	Vitamins
Pay 'n Save Seattle, Wash.	140	Some products carried in line, all stores	—	No	Yes	Yes	No	Yes	No	Vitamins
Peoples Drug Alexandria, Va.	560	New 12 ft. depts. for 250 stores under review	12 linear feet	Yes	Yes	Yes	Yes	In-line	No	Vitamins
Perry Drug Pontiac, Mich.	116	6	32-36 linear feet	Yes	Yes	Yes	Yes	Some units	No	Vitamins
Revco Drug Twinsburg, Ohio	1,700	Some products carried in line, all stores	—	Yes	Yes	Yes	No	In-line	Yes	Vitamins
Rite-Aid Drug Shiremanstown, Pa.	1,097	Some products carried in line, all stores	—	No	Yes	Yes	No	No	No	Vitamins
Snyder Drug Hopkins, Minn.	195	55 corp. stores; 72 franchised units	16-28 linear feet	Yes	Yes	Yes	Yes	Some units	No	Vitamins
SupeRx Drug Cincinnati, Ohio	535	200 expanded depts; 300 special endcaps	32-40 feet; 4 feet	Yes	Yes	Yes	Yes	Some units	Yes	Vitamins
Thrift Drug Pittsburgh, Pa.	360	Some products carried in line, all stores	—	Yes	Yes	Yes	No	In-line	No	Vitamins
Thrifty Drug Los Angeles, Calif.	533	Some products carried in line, all stores	—	Yes	Yes	Yes	Yes	In-line	Yes	Vitamins
Thornburg Drug Syracuse, Ind.	6	6	16-20 linear feet	Yes	Yes	Yes	Yes	Some units	No	No
Walgreens Drug Deerfield, Ill.	944	Some products carried in line, all stores	—	Yes	Yes	No	No	No	Yes	Vitamins

PHARMACY

- Special report: Rx operations survey

Productivity and script counts gain

	1982	1983*	% Growth '83/'82
Scripts/hour of operation	9.4	9.8	+4%
Scripts/pharmacist week	348	360	+3
Total scripts filled annually	38,010	39,272	+3
New	20,635	21,295	+3
Refill	17,375	17,977	+3

*Projected for full year
Source: *Drug Store News* survey

Chain Rx dept. productivity gains 4% over last year

NEW YORK—Chain drug stores are chalking up healthy productivity gains in their pharmacy departments this year, with the number of scripts dispensed per pharmacist/technician hour advancing nearly 4% over 1982 to 10.

The productivity gain is also reflected in the number of scripts dispensed weekly per pharmacist—up 3% to 360 this year, according to *Drug Store News'* latest national pharmacy survey.

With these increases, the average chain pharmacy department is now dispensing a total of 755 scripts per week, compared to 731 in 1982.

The survey clearly indicates two reasons for the productivity gains: computerization and lower pharmacist turnover.

According to the study, companies with the highest degree of computerization are the ones reporting the greatest productivity gains. This trend is likely to continue in 1984 as chains increase their commitment to pharmacy computers in an effort to score efficiency gains in third-party prescription processing and price updates, among other things.

The survey also shows that reduced pharmacist turnover in the recessionary environment has added to productivity, as more experienced professions dispense scripts with greater efficiency.

To a lesser extent, the productivity increases can be linked to a slight decline in pharmacy operational hours—to 77.2 per week this year from 77.4 in 1982—coupled with no gain in the number of pharmacists/technicians employed.

At the same time, the average pharmacist's salary, less bonuses and benefits, has advanced more than $4,000 to $31,337 this year. The payroll increase is cutting into the gains in operating profit margins.

Overall, the average chain pharmacy will dispense an estimated 39,272 scripts in 1983, a gain of 1,262 over last year's results. Of those, 21,295 are new prescriptions (up 3%) and 17,977 are refills (also up 3%).

The growth in total scripts continues the trend established in previous *Drug Store News* pharmacy surveys. For example, from 1980 to 1981 the number of scripts filled by the average pharmacy department rose 2,300. In the following year—a period marked by numerous product introductions—the increase was 3,700.

The average chain pharmacy department now dispenses 755 scripts per week compared to 731 last year.

At last from a single source:

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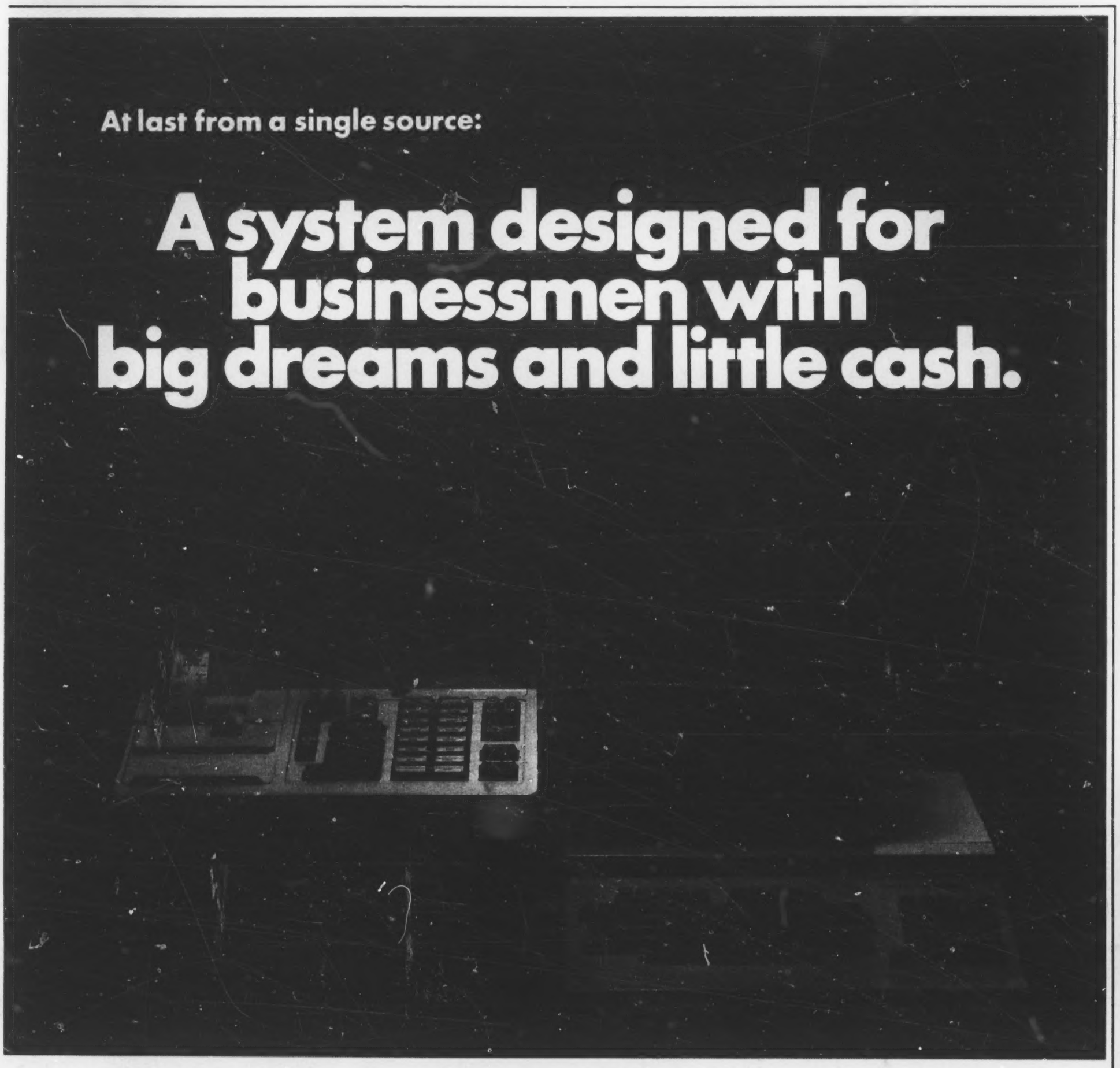

In the past, if you wanted to buy a powerful computer system for your retail business, you had to dig down and come up with a big chunk of cash. Or you had to run around and buy each component separately, which meant if anything went wrong with your system, you had to run around some more to try and get it fixed.

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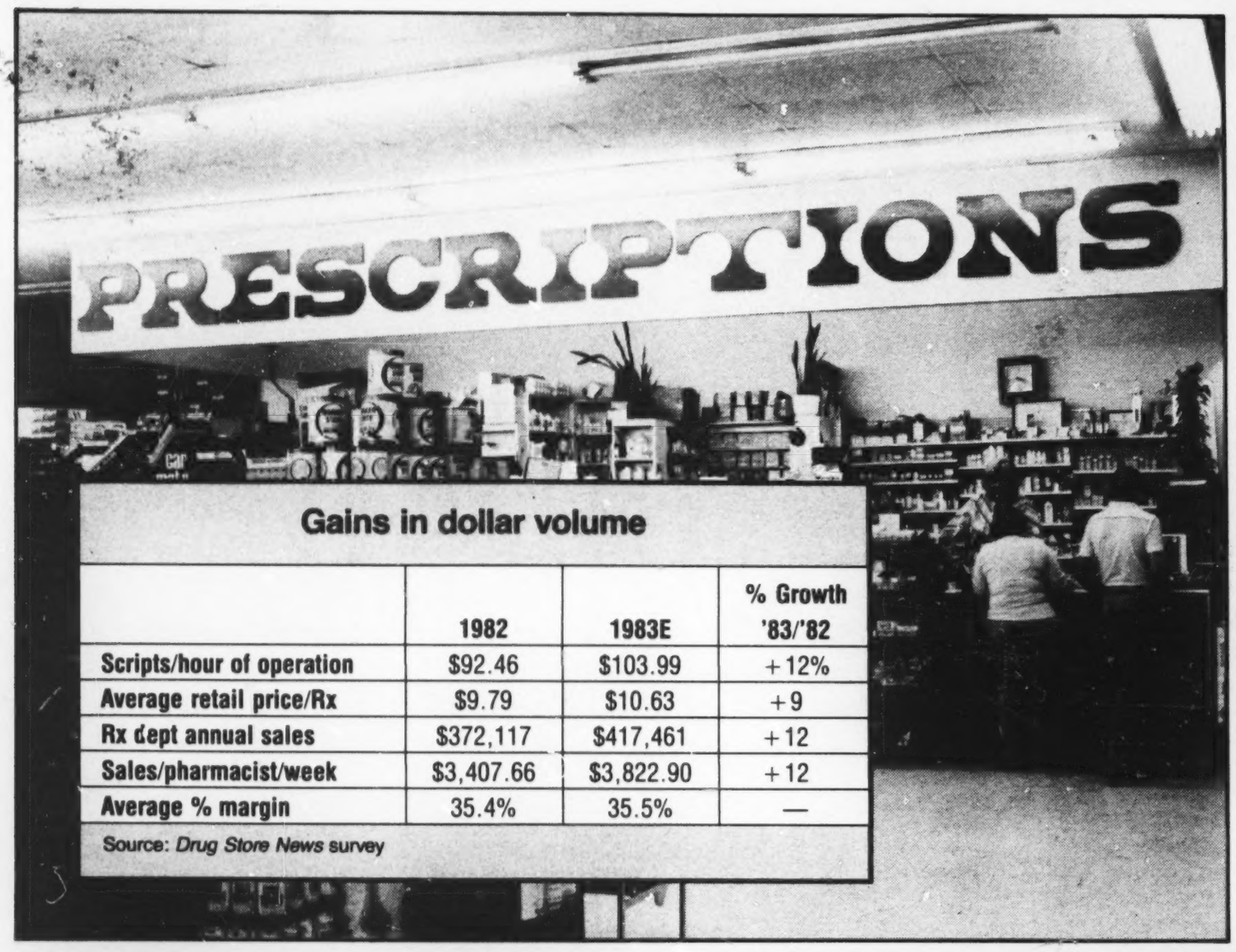
PHARMACY

• Special report:
Rx operations survey



Gains in dollar volume

	1982	1983E	% Growth '83/'82
Scripts/hour of operation	$92.46	$103.99	+12%
Average retail price/Rx	$9.79	$10.63	+9
Rx dept annual sales	$372,117	$417,461	+12
Sales/pharmacist/week	$3,407.66	$3,822.90	+12
Average % margin	35.4%	35.5%	—

Source: *Drug Store News* survey

Rx productivity, script price gains boost sales 12%

NEW YORK—Pharmacy sales increased 12% in the average chain pharmacy this year, reflecting productivity gains as well as increases in the price of an average script, according to *Drug Store News*' annual pharmacy survey.

The survey shows that the typical chain pharmacy is ringing up $104 in average hourly sales, $11.53 higher than in 1982.

Most of the gain stems from script price increases, as newer, more expensive drugs find their way into the department's product mix. Script prices climbed 9% to an estimated $10.63 from $9.79 last year.

The 9% advance in script retail price combined with a 3% gain in number of scripts resulted in the 12% gain reported by the average chain pharmacy department.

Overall, the survey shows that the typical chain pharmacy is generating $417,461 on an annual basis, a year-to-year gain of $45,344. Sales per pharmacist are also up 12%, to $3,823.

Sales per square foot jumped sharply in the average pharmacy department this year, according to the survey. Despite a small increase in average square footage, the typical pharmacy is generating $1,093 per square foot, an increase of $111 since last year.

Average gross margin remains relatively constant this year at 35.5%, compared to 35.4% in 1982. After retailers pay for the cost of merchandise sold, funds available for expenses and operating profits are estimated at $148,200, significantly greater than the $131,730 available in 1982.

It is predicted by some industry sources that 1983 will prove to be another banner year for pharmacy, but only if chains can keep the growth of expenses at a level equaling inflation or below it. In addition, they say, new products must continue to be launched regularly.

Dampening their enthusiasm, however, is the lid on reimbursement for third-party scripts. They point out that costly new drugs are increasing inventory values, but fixed fees are cutting margins for third-party scripts.

If third-party business continues to grow without any increase in dispensing fees, they say, it will mean a further erosion of return on investment in the prescription department.

Automatic tablet counters such as the one shown here and computers have helped boost productivity in chain pharmacies. According to a *Drug Store News* survey, overall script volume increased 3%.

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• Special report:
Rx operations survey

PHARMACY

Computers, Rxmen trim inventories, up turns

NEW YORK—Inventory represents the prime asset managed by pharmacists, and *Drug Store News*' annual survey reveals they are doing a first-rate job of managing that asset. Turnover is up and inventory as a percentage of sales is down.

But pharmacists don't deserve all the credit. Pharmacy computers have also contributed heavily to inventory control.

Despite the increase in the cost of the average pharmacy's inventory—$36,000 today compared to $33,550 in 1982—pharmacies have been able to increase annual stock turnover to 7.4 times from 7 times a year ago.

Moreover, the cost of inventory as a percentage of sales has dropped to 8.8% from 9.2% in 1982.

Inventory management results would be even better were it not for significant pharmaceutical price increases as well as the addition of newer, more expensive drugs, both of which contributed to higher inventory valuation.

Productivity of pharmacists at selected chain drug companies

		1982	1983
Firms highly computerized			
Chain X	Rx/Hr.	11.0	11.4
	Rx/pharmacist/day	65	67
Chain Y	Rx/Hr.	11.3	11.1
	Rx/pharmacist/day*	39	42
Chain Z	Rx/Hr.	12.1	12.3
	Rx/pharmacist/day	72	74
Firms with a limited number of computers			
Chain A	Rx/Hr.	7.6	7.8
	Rx/pharmacist/day	42	49
Chain B	Rx/Hr.	8.9	9.1
	Rx/pharmacist/day	44	45
Chain C	Rx/Hr.	7.0	7.4
	Rx/pharmacist/day	43	46

*This chain's average number of pharmacists/prescription is above the industry average.

Source: *Drug Store News* survey

Distribution of pharmaceuticals from manufacturers to chains has also undergone a shift in the past several years, according to the survey. Increasingly, products are being shipped to chain warehouses

From 1982 to 1983, for example, the percentage of pharmaceuticals shipped direct to chain warehouses or stores increased to 77% from 70% in the previous year, while the proportion supplied by wholesalers declined to 23% from 30%.

With the exception of small- to medium-sized chains and selected chains on the West Coast, it now appears that a large percentage of pharmaceuticals on chain retailers' shelves are being shipped outside the traditional wholesaler channel.

Other surveys indirectly confirm this, reporting that warehousing chains operate stores with a lower cost of goods sold and higher gross margins than those without a big warehousing commitment.

The most recent NACDS Lilly Digest, for example, notes that stores using a central warehouse tend to post higher net profits than those that do not.

Operations study shows salary rise

NEW YORK—The salary of the average chain drug pharmacist has increased a hefty 16% this year, rising to $31,337 from $27,120 in 1982.

This is one of the main findings of *Drug Store News* latest national survey of chain drug pharmacy operations.

Other findings include the following:

- The typical chain pharmacy employs 2.1 pharmacists and 1.5 technicians, substantially unchanged from 1982.
- The department remains open 77.2 hours per week, down from 77.4 in 1982.
- Each pharmacist generates sales of $198,791 per year.
- The average pharmacy's sales yield $70,791 in gross margin dollars per pharmacist.

Although the average pharmacist's salary nationwide is $31,337 a year, the survey shows wide regional variations in pay. For example, pharmacists working on the West Coast are paid at a level well above the national average—as much as $33,500. Those practicing in the Midwest receive substantially less on the whole—as low as $24,500, in some instances.

While retail pharmacists' starting salaries are relatively high, previous *Drug Store News* surveys have found that pharmacists tend to become disillusioned with the profession, and once experience is gained they tend to move into other fields. However, another study of 1981 graduates shows a higher degree of satisfaction with the profession.

Pharmacists' salaries up 16%

	1982	1983*
Pharmacist salary exclusive of bonus and fringe benefits	$27,120	$31,337
Number of pharmacists/dept.	2.1	2.1
Number of techs/dept.	1.5	1.5
Sales volume/pharmacist	$177,199	$198,791
Dollar margin/pharmacist	$62,728	$70,571
Hours/week dept. operational	77.4	77.2

*Projected for full year

Source: *Drug Store News* survey

Dunn to head N.J. Rx board

NEWARK—The New Jersey State Board of Pharmacy has elected Elaine Dunn as its president. She is the first woman to hold the post.

Dunn has been a community pharmacist at Steven Drug in West Long Branch since 1977.

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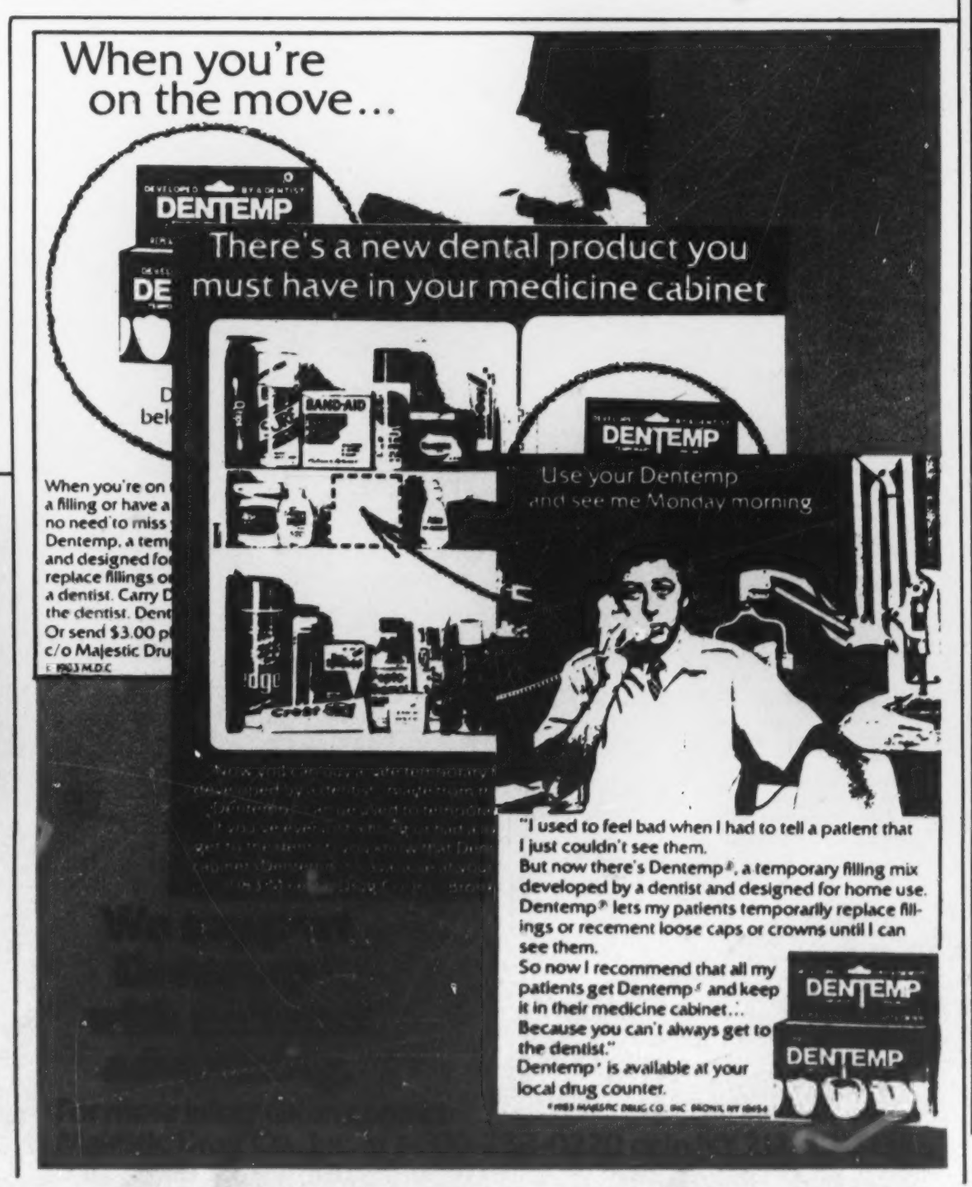
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℞ Gray's Livon on Rx-to-OTC switches—p.12

"We must receive accurate, complete and timely information from vendors."
MERCHANDISER

Sunglass recovery seen—p. 29

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DRUG STORE NEWS

Vol. 5 No. 25/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./November 28, 1983

Julian Levin, cosmetic supervisor at Giant, applies lip gloss for a shopper on grand opening day at the chain's neon-lighted cosmetic department.

Hook aims for 30 new home health care units

By Faye Brookman

INDIANAPOLIS—Hook Drug is revving up for a major expansion of its freestanding home health care centers, with projections calling for the addition of 30 units by the end of 1986.

This month, the 289-store chain launched its 10th home health care center, a 6,200-sq.-ft. unit located in Whitehall, Ohio. It was the fourth Hook's Convalescent Aids and Sickroom Supplies store to open in the Buckeye State. The others are in the chain's home state of Indiana.

Hook's, which opened its first center in Fort Wayne, Ind., in 1977 at a drug store site not performing up to chain standards, has targeted expansion of convalescent aid units as one of its primary goals. Last year, the chain appointed Jim Caldwell to the newly created position of assistant vp-health care services specifically to oversee the development of the stores.

The chain's emphasis on convalescent aid centers enacted in 1982 by chairman and president J. Douglas Reeves as a remedy for an ailing financial condition (the chain's earnings dropped 20% that year) has paid off. Net earnings for the first nine months of this year soared 66.7% to $5.6 million.

An aging population coupled with gross margins of 35% and up has made the convalescent aids business attractive to retailers like Hook, who see it as a natural extension of their traditional health care image.

And, despite intially high investments, chains including Walgreens, Eckerd, Begley, Rite Aid and Peoples have jumped into the $2 billion to $2.5 billion home health care

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Poised for expansion

Genovese beefs up management

By Jim Ricchiuti

MELVILLE, N.Y.—The addition of Al Wilent, vp of merchandising at Longs Drug Stores, to Genovese Drug Stores as vp and director of merchandising is expected to round out the chain's senior management team and improve its overall merchandising operations.

Genovese, which has grown at a rapid pace in recent years, has not been considered top heavy in management. Some industry observers see the arrival of Wilent as a means of taking some of the workload off the chain's other top executives, many of whom have seen their responsibilities multiply as Genovese has evolved into one of the dominant chains in the New York Metropolitan Area.

Wilent, who will join Genovese in January, is expected to beef up the chain's purchasing activities and help coordinate purchasing with advertising. In addition, his arrival will help free up Paul Stanton, senior vp of sales and merchandising, to get involved more with merchandising and operations at the store level.

Genovese also moved to strengthen itself in the area of personnel administration. At the same time that Wilent will join the company, J. Robert McCarthy, formerly director of personnel for Belk Store Services Inc. in New York, will assume responsibilities as vp and

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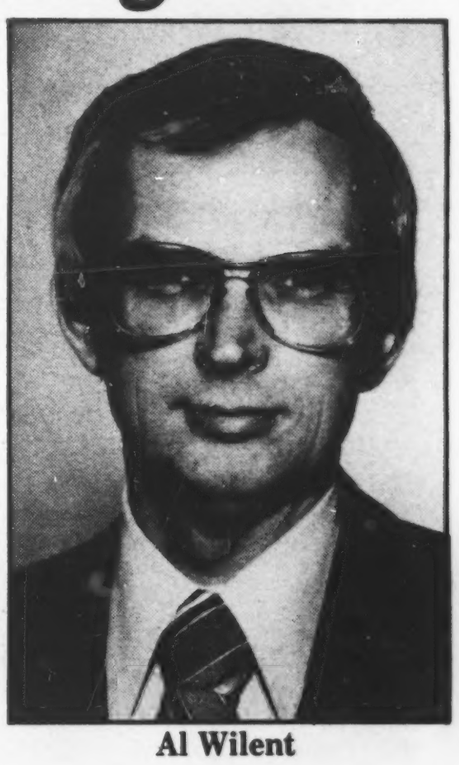

Al Wilent

Giant's new prototype: 60,000-sq.-ft. combo

By Joe Caputo

ROCKVILLE, Md.—Giant opened its largest store here, a 60,000-sq.-ft. "flagship" food/drug combo that will be used as an experimental prototype for outlets now on the drawing boards.

Opened earlier this month, the new 24-hour store continues Giant's trend of replacing smaller stores with combos larger than 40,000 sq. ft. Of the chain's 132 stores in the Washington-Baltimore metro area, 75 are combos. One of the keys to Giant's dynamic growth has been its commitment to combos.

"Our future stores will be planned around the successful launch of the Rockville unit, but we'll make modifications," said Barry F. Scher, director of public affairs. "Most new stores' merchandise mix will vary somewhat, and the units will be

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Pneumo sets 4-yr. growth plan at Carls

By Allen Mundth

BOSTON—For the first time since acquiring Carls Drug nearly four years ago, the Pneumo Corp. has announced plans for an accelerated expansion program that will add up to five new stores per year to the 36-store upstate New York chain.

The announcement was made less than two weeks after the chain's president for the last two years, Larry Padgett, resigned. Until a replacement for Padgett is announced, the drug stores are being managed by Ronald K. Williamson, senior vp for Pneumo's retail (food and drug stores) division.

Corporate spokesman Walter Rogers said the expansion pro-

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Purity Supreme stalks New England market with 9th Heartland deep discount drug unit

The new Heartland prototype outside of Hartford, Conn., contains among other departments, a large discount book section.

By Jim Ricchiuti

BERLIN, Conn.—Purity Supreme, the Massachusetts-based supermarket chain, has taken a major step toward garnering a larger share of the New England deep discount drug market with the opening of its ninth Heartland Drug discount store here.

Since 1979, the food and drug retailer, which also operates 14 Pharmacity Drug Stores, has been quietly opening Heartland Drug units in Massachusetts, Maine and now Connecticut.

The new prototype is a dramatic departure from the other eight Heartland Drug discount stores, which typically average 11,000 sq. ft. The Berlin prototype is a sprawling 28,000-sq.-ft. store that shares this suburban Hartford, Conn., shopping center—owned by

Continued on page 41

NACDS tells Feds

OTC recall would mean high costs, shortages

ROCKVILLE, Md.—Look for "serious" shortages of nonprescription drugs if the Food and Drug Administration launches a nationwide retail level recall of over-the-counter products not in compliance with Federal tamper-resistant packaging (TRP) rules, chain drug industry leaders warned the agency.

Earlier this fall, F.D.A. temporarily postponed plans to ban the sale of noncomplying OTC drugs on retail shelves after Feb. 6, 1984, pending a study of the situation.

Unless the agency permanently rescinds that ban, an "expensive" and "unprecedented" nationwide recall of certain nonprescription drugs will occur, National Association of Chain Drug Stores president Robert Bolger said.

Although Bolger did not predict the dollar cost of such a recall, the Proprietary Association told F.D.A. that it "would far exceed the $173 million spent to date" by drug manufacturers to make packages tamper-resistant.

According to NACDS, the cost will be high because the majority of noncomplying OTC's on the market next February will be in "the approximately 280,000 retail outlets" including "gas stations, newsstands, restaurants and other locations which sell small quantities of OTC medicines."

In separate comments submitted to F.D.A., PA warned that the high cost of a recall would drive out of business small- and medium-sized companies that rely heavily on sales generated from TRP-regulated products.

At the same time, firms remaining in business "would have to pass the costs on to the consumer through price increases," PA maintained.

Chain drug industry leaders also told Federal drug regulators that recalling noncomplying OTC's could significantly disrupt the supply.

According to Walgreens, if the agency goes forward with a recall, "stores would be returning goods en masse to manufacturers, and if replacements are not present, serious outages of needed OTC drugs could result."

NACDS also pointed out that a ban could affect the availability of OTC products in compliance with F.D.A. tamper-resistant packaging requirements.

Because of "certain clarifications in the TRP regulations" retailers, wholesalers and consumers "will experience great difficulty in determining whether a product is properly

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NWDA is critical of OTC recall

ROCKVILLE, Md.—Shifting responsibility for recalling nontamper-resistant OTC's from retailers to drug wholesalers could jeopardize the nation's drug supply, the National Wholesale Druggists Association charged.

While NWDA acknowledged that it is hard for retailers to determine whether OTC products meet the Food and Drug Administration's tamper-proof regulations, the association maintained that it would be "especially" difficult for drug wholesalers to check on noncomplying packaging because the products are often sealed in cartons.

To require wholesalers to open each carton to determine "whether or not a product is in tamper-resistant packaging" would "create increased security risks from open cartons of products lying about the warehouse," NWDA warned.

In addition, the time involved in unpacking each case would be "cost prohibitive," NWDA Government affairs vice president Ronald Streck maintained.

The F.D.A. is considering whether to set a date afterwhich the wholesale distribution of OTC's not in compliance

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SCOPE focuses on educating workers to lower benefit costs

PHILADELPHIA—Increasing the amount employees must pay for health insurance and reducing insurance coverage are two approaches drug chains are taking to reduce spiraling costs.

But senior chain executives at the NACDS SCOPE meeting here agreed that employees must be educated that higher health care expenses paid by the chains leaves less money for salaries.

"Employees consider benefits their rights," said Robert Primm, director of personnel for SupeRx. Primm said employees resist giving up those "rights."

Primm was part of a benefits panel that included Walter Feltman, executive vp and operations director at K&B; William G. Combs, vp of administration and treasurer of Longs, and James A. Norton, a principal with William M. Mercer Inc., an employee benefits consulting firm. The moderator was Bruce Berg, vp of store operations at Fay's Drug.

Combs put the problem of health benefits into perspective by stating the cost of benefits in the retail industry is expected to rise from 10% of salaries in 1982 to 17% in 1986 and 30% by 1990.

Until the 1970's, chains saw benefits as a way to lure employees. Those benefits were not then considered a substantial cost. Now, with benefits rising faster than wages and sales, chains have to rethink their strategy.

Last year, Longs began educating its employees to prepare for changes in their medical insurance. "We notified our employees that increases in medical expenses were exceeded only by increases in energy expenses. We faced a 31% increase in medical expenses in 1981 and another 24% increase in 1982," Combs said.

To combat this trend, Longs offered its employees the option of less coverage or the same coverage with a contribution by employees, coming as a payroll deduction. With this change, Longs managed to reduce what had been projected as a "substantial increase" in its benefits costs by $400,000 to $500,000.

At K&B, the ratio of health insurance to sales has increased to 0.5% of sales, according to Feltman. Although K&B pays the cost for its employees, it raised the deductibles for dependents from $100 to $200.

K&B also requires its hourly employees to be employed for one year before they qualify for medical coverage. At most chains, the period is three months for hourly employees and one month for salaried employees.

At SupeRx, Primm said, health benefits costs have increased 50% in the past three years. The chain pays 100% of the premiums for its employees and their families.

But Primm added, "Being the leader in the industry is expensive."

Norton, the benefits consultant, said the expensive part of health care is the treatment of employees at hospitals. He recommends that chains require their employees to get a second opinion before surgeries that are often not required, such as hysterectomies.

At Longs, if the physicians' opinions differ, the chain will allow a third opinion and pay 100% of the cost. Longs also pays more of the costs of employees who seek a second opinion.

In addition to reducing unnecessary surgery, Longs also attempts to have its employees treated as outpatients instead of in the hospital whenever possible.

Chains also are finding they can reduce medical expenses by encouraging their employees to eat better, exercise and, above all, not to smoke.

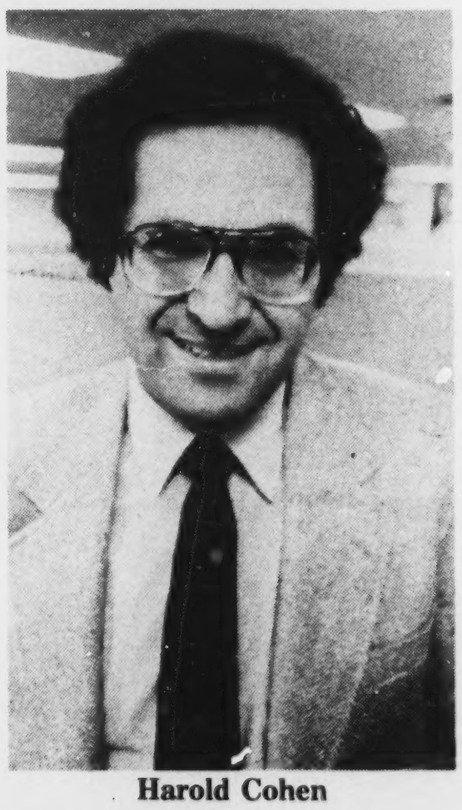
Cohen joins staff of DrSN

NEW YORK—Harold Cohen, a registered pharmacist for 15 years, has joined the staff of *Drug Store News* as assistant pharmaceutical editor.

Cohen is a 1969 graduate of Rutgers University, College of Pharmacy. Soon after graduating from school and obtaining a license as a registered pharmacist, he went to work at a Shop Rite pharmacy owned by Foodarama, Freehold, N.J. He rose to the position of manager at Shop Rite and later left to open his own pharmacy in Jackson, N.J.

Cohen comes to *Drug Store News* with an in-depth knowledge of retail pharmacy and store operations.

He resides in Ocean Township, N.J., with his wife Roz and their two children, Jodi and Rachel.



Harold Cohen

American alters management team

SALT LAKE CITY—American Stores Co. has realigned part of its senior management team.

Richard G. Dunlop was named vice chairman and treasurer. Dunlop, formerly executive vp and secretary, replaces Richard Shanaman, who has left American Stores to join Triad Utah, a development company as executive vp and treasurer.

In a series of related moves, the company made several key appointments at the senior and executive vp level. Victor L. Lund was named senior vp and controller. He had previously been vp and controller.

Scott Bergeson, formerly president of American Stores Management Systems Co., a wholly owned subsidiary of American Stores, has been appointed executive vp, administration and assistant secretary.

Michael Miller was named senior vp/investor public relations and assistant secretary. Miller had been vp and assistant secretary.

David Tomsen joined American Stores as senior vp of planning. Tomsen most recently was with the consulting firm William M. Mercer Co. in Los Angeles, Calif.

American Stores was operating 1,019 retail food, drug and combos in 28 states, including Skaggs and Rea and Derick drug stores, at the close of the first half of the company's current fiscal year.

News in brief

Oct. drug store sales rise 1.2%

WASHINGTON—Drug store sales rose in October, but not as fast as the rest of the retail industry.

Preliminary unadjusted figures from the U.S. Commerce Department indicate drug store sales for October were $3.178 billion, up 1.2% from $3.14 billion in September.

The October figure was 7.6% better than the $2.953 billion reported for October 1982.

For all retailers, sales for October 1983 were $100.006 billion, up 2.1% from $97.873 billion in September. October 1983 sales for all retailers ran 9.6% ahead of October 1982, when sales of $91.416 billion were reported.

Pereira joins Fay's marketing dept.

LIVERPOOL, N.Y.—Abe Pereira has joined the marketing department of Fay's Drug assigned to special projects. He will be responsible for special merchandising, marketing and promotional programs, as well as a limited number of buying functions. Pereira, 47, formerly worked as a buyer, promotional manager and then vp for merchandising at the Toledo-based Lane division of Peoples Drug.

Cardelle joins Demoulas

TEWKSBURY, Mass.—Don Cardelle, formerly senior vp for merchandising at Carls Drug, Rome, N.Y., has joined the 35-store Demoulas supermarket chain here. His assignment will include development of plans for the chain's first freestanding Lee drug store, scheduled to open later this year in Lowell, Mass.

Taylor profits up 100%

LOUISVILLE, Ky.—Retiring Taylor Drug chairman Bill Harrison Sr. parted from the company on a high note. The privately held 47-store chain will show a 100% profit increase and a 16% sales gain when its fiscal year ends later this month. Sales are estimated at $55 million.

F&M opens Grand Rapids store

GRAND RAPIDS, Mich.—F&M Distributors, the Warren, Mich.-based deep-discount chain, has opened a new store in Grand Rapids bringing to 12 the total number of these low-margin health and beauty aids outlets operated by the chain.

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Vol. 5, No. 25 November 28, 1983

Bravo! Rx depts. make gains despite obstacles

By Elizabeth Parks

No one in the retail industry can ever be said to have an "easy" job, but without taking anything away from the people who run restaurants or supermarkets, discount stores or department stores, let it be said that running a drug store in today's economic/political environment is especially harrowing.

Whether the business is run by an independent or a chain, there are pressures being brought on today's management that can make even the boldest and most astute business executive quiver with anxiety: fixed fee reimbursements, MAC and new types of competition from sources like HMO's, hospitals, dispensing physicians, mail order programs, even pharmaceutical manufacturers.

That's why today when so many knives are poised against the retail pharmacist and the drug store manager, it's particularly encouraging to be able to report good news.

The eighties may be a particularly devastating time for pharmacists, but they're also a time in which the very factors that are breeding danger are also breeding opportunity.

Some philosopher once said that evil exists so that people can create and appreciate good; fear exists so that people can create and appreciate courage, and danger exists so that people can create and appreciate the ingenuity that circumvents danger.

In our last edition, Nov. 14, we published the results of our third annual pharmacy operations study, and although it certainly can't be said that pharmacy is rocketing to new heights of profitability, neither can it be said that our industry is floundering.

Despite MAC, fixed fees for third-party scripts and the proliferation competition, the 2,246 pharmacy departments surveyed by *Drug Store News* showed healthy gains: Scripts increased 3% over 1982 and dollar sales were up 12%. Productivity also rose: The number of scripts processed per pharmacist hour rose 4%.

At a time in which many pharmacists confess that just staying even makes them feel successful, the operators surveyed by *Drug Store News* were pulling ahead of themselves. They were streamlining their businesses to find ways to defeat the scourges of MAC and fixed fees.

Faced with restrictions on two critical variables, purchasing and pricing, they were falling back on their own ingenuity and coming up with solutions that would make even the most discouraged believer in the free market system temporarily abandon his foxhole to jump for joy.

Clearly the retail pharmacists surveyed by *Drug Store News* weren't just sitting around on their hands waiting for times to get better. They were reassessing their businesses and their dilemmas and coming up with programs that gave them the momentum to carry on.

Many were reaping the rewards of having installed pharmacy computers, while others were revamping their distribution systems.

Clearly the growth wasn't coming through higher prices. Average margins in 1983 were just 0.1% higher than in 1982. But inventory turnover was better—7.4 times in 1983 as opposed to 7 in 1982. And merchandising and advertising were obviously better.

This doesn't mean, of course, that the industry should give up the fight against unnecessary evils such as MAC and fixed-fee reimbursement programs.

But it does mean that good business planners can not only survive but actually prosper if they work hard and they're clever.

So, for pharmacists who have gotten their share of bad news in 1983, the *Drug Store News* survey hopefully proves there's something to cheer about too. Now the challenge is to keep on struggling to acquire those skills and those programs that will make 1984's survey results even stronger.

Washington Perspective

Importers oppose 'anticounterfeiting' bill

By Ken Rankin

The chain drug store industry is not alone in its concern that pending Federal "anticounterfeiting" legislation could be used to frustrate consumer acceptance of lower-cost generic drugs.

The American Free Trade Association—a group of H&BA importers and distributors opposed to the controversial bill—echoed fears raised earlier by the National Association of Chain Drug Stores that the unprecedented "search and seizure" powers granted to brand-name manufacturers by this legislation could be used to discourage pharmacies from even stocking generics.

The stated goal of this legislation is not to hamper price competition at the retail level, but rather to halt the distribution of goods bearing counterfeit trademarks. It would accomplish this through stiff new criminal penalties for "traffickers" (up to five years in prison, plus $1 million fines), and by enabling brand-name manufacturers to orchestrate "*ex parte*" (no warning) search and seizure raids against retailers suspected of dealing in pirated goods.

Understandably, that "*ex parte*" search and seizure provisions has come under sharp attack by a variety of retail industry groups in and out of the drug store field.

Earlier this month, in fact, the broadly based American Retail Federation adopted an NACDS-supported policy statement charging that the so-called anticounterfeiting measure is "inequitable, overboard and has the real potential for injuring our industry."

Significantly, ARF joined with NACDS in expressing concern that the bill's vague definition of a "counterfeit" product as one bearing a "spurious" trademark could lead to serious problems for the nation's drug stores.

"The bill's scope is not restricted to intentional out-and-out piracy of brand-name products" and "its drastic penalties and procedures could be invoked even in 'garden variety' trademark infringement disputes between competing" manufacturers, the Federation charged.

"As a result, private label products, generic drugs and other beneficial trade practices may be jeopardized," ARF concluded.

In an even more detailed expression of concern, the American Free Trade Association warned Congress that the bill's vague definition of counterfeit merchandise "could easily be applied to properly labeled goods in packaging similar in size, color and shape to that of trademarked goods."

Specifically, AFTA warned that despite the Supreme Court's landmark *Inwood v. Ives* ruling last year clearly legalizing so-called generic "look-alike" drugs, the pending anticounterfeiting legislation could be used to halt the distribution of "properly labeled goods in packaging of substantially similar color, size and shape" as brand-name products.

Drug store H&BA market share down 2%

NEW YORK—Drug store market share of 25 leading health and beauty aids categories fell by two percentage points in July-August vs. the same period last year, according to the latest data available from A. C. Nielsen.

In comparing retail drug sales with those of food stores and mass merchandisers, Nielsen found that the drug store share decreased to 32.2% from 34.2% a year ago.

The decline came despite an overall increase in drug store sales of the 25 leading product categories to $743 million from $726 million last year.

Most of the drug store loss was picked up by food stores, continuing the long-term shift of H&BA volume to higher traffic supermarkets as they aggressively pursue nonfood sales.

Food stores gained 1.3 share points to 52.7% as their sales rose to $1.2 billion from $1.1 billion in the same period a year ago. The remaining 0.7 of a percentage point was gained by mass merchandisers, whose dollar volume grew to $349 million from $306 million.

In a comparison of July-August figures with those of May-June 1983, the survey found that the drug store share of dollar sales for the 25 leading products decreased to 32.2% from 32.9%, while mass merchandisers increased to 15.1% from 14.4%.

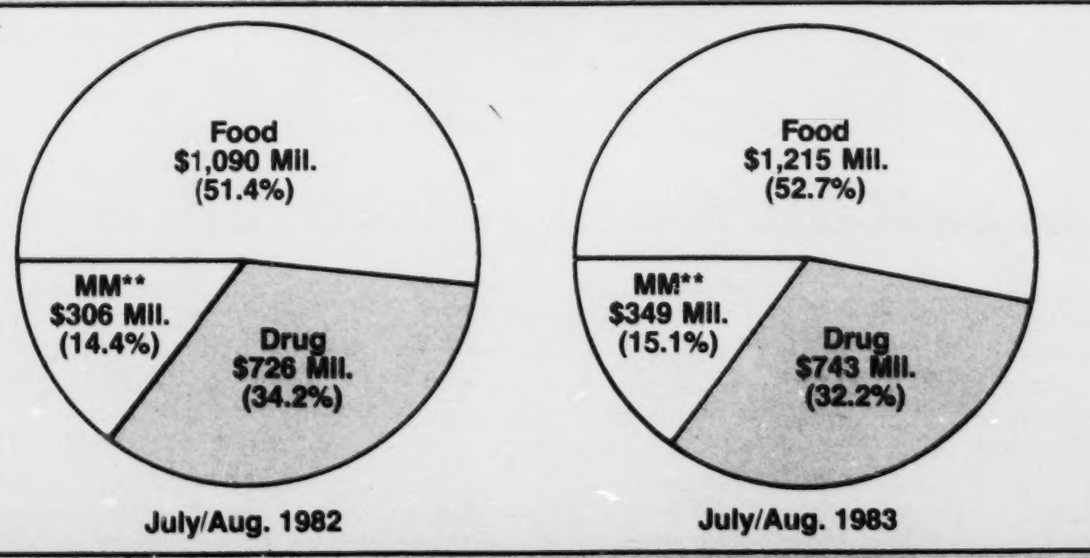
Drug store share of unit volume also declined on a year-to-year basis, to 28.6% from 30.6%. Food store share of unit volume increased to 54.2% from 53.4%.

In a year-to-year comparison of performance in the four major H&BA categories—men's products, remedies, oral hygiene and women's products—drug stores did not fare well.

While dollar sales were up in all four categories, unit movement declined in the two biggest volume producers—remedies and women's products.

For remedies, unit volume declined to 68.2 million pieces from 70.5 million in the same period a year ago. For women's products the decline was from 110.6 million to 108 million.

Food and discount stores gain market share in 25 H&BA categories*



*Men's hair preps, razor blades, aerosol shave creams, after shave lotion and cologne, dentifrices, oral antiseptics, multiple vitamins, cold tabs, sinus headache remedies, topical antiseptics, headache remedies, stomach remedies, disposable diapers, food remedies, shampoos, deodorants, feminine deodorants, sanitary protection, hand lotions, face creams, hair coloring, hair fixatives, home permanents, after shampoo products, bath additives.

**Mass merchandisers

Source: A. C. Nielsen Co.

DRUG STORE NEWS

Incorporating
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FINANCIAL

Malone & Hyde income up

MEMPHIS—Malone & Hyde reported a net income gain of 28.3% and an 11.4% sales increase for the quarter ended Sept. 17.

Net income for the first quarter was $6.8 million, up from $5.3 million for the first quarter last year. Sales for the quarter were $611.6 million, up from $549 million.

Earnings per share for the first quarter were 42¢, up 27.3% from 33¢ in the comparable quarter last year.

J. R. Hyde III, chairman and president, said he foresees continued strong earnings for the remainder of the year, but added that "the rate of increase should slow as we compare results against prior year periods in which sales and profits have already been enhanced."

Kroger income plummets

CINCINNATI—The Kroger Co., the parent of SupeRx, reported a sales gain of 3.9% for the third quarter ended Oct. 8, but a decline in net income of 42%.

Sales for the quarter were $4.5 billion, up from $4.33 billion for the corresponding period last year. Net income for the quarter was $28.5 million or 62¢ a share, down from $49.2 million or $1.04 a year ago.

Kroger did not break out the performance of SupeRx.

For the three quarters ended Oct. 8, sales increased 1.9% to $11.46 billion from $11.25 billion. Net income decreased 35.3% to $85.4 million from $132 million during the comparable period last year.

Earnings per share for the first three quarters were $1.84.

Begley Drug profits drop despite 8.7% sales increase

RICHMOND, Ky.—Sales at Begley Drug for the quarter ended Sept. 30 increased 8.7% to $14.5 million from $13.3 million for the comparable quarter last year.

However, there was a net loss of $10,214 on a LIFO basis, down from a net income of $127,963 for the comparable period last year.

The loss amounted to 2¢ per share.

The net income for the quarter last year included a one-time amount of $140,000 or 25¢ per share, for Begley's sale of its interest in a shopping center.

Although Begley's operating income from continuing operations exceeded the profits from the comparable period last year, Robert J. Begley, chairman and president, said he was disappointed with the results.

"We did not make our projections, but we will be on track by the end of the fiscal year," he said.

Begley said the chain did not control its expenses well and had remodeled too many stores in the first half of the year. Eight of the chain's 46 drug stores were remodeled.

The continuing drought in Kentucky has caused farmers to hold back on spending, preventing volume increases at drug stores, Begley said. In addition, coal mining, the other major economic activity in the area, remains depressed.

The local economy has not generated enough volume at the drug chain to support the remodeling program this year, although 20 stores were remodeled last year.

For the six months ended Sept. 30, sales increased 8.5%

Walgreens Oct. sales rise 15%

DEERFIELD, Ill.—Walgreen Co. sales for October increased 15% to $199.6 million from $173.5 million for the same month last year.

Walgreen's chairman Charles R. Walgreen attributed the strong showing to "the favorable sell through of Halloween merchandise, strong prescription sales and the continuing good performance of our restaurants."

Big B tumbles 18% as drug stocks decline

Name	Symbol	STOCK PRICE 10/21/83-11/7/83 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Change Pct.	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	21.00	20.13	20.75	.00	.00	24.88	8.25	-.19	.35	-2.45	12.37	1.12	.36 S	41.3	17.0	1.6	16.9	.04	.2	09-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	43.38	39.00	39.75	-.50	-1.24	44.00	18.72	.22	-.55	-3.07	-.30	2.69	.85 S	37.6	45.0	1.2	12.8	.48	1.2	09-20-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	22.00	21.25	21.25	-.75	-3.41	24.00	9.50	.02	.26	7.30	.00	1.47	1.52 Q	NC	-11.0	1.4	14.0	.68	3.2	10-14-83	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	12.00	10.00	10.00	-2.25	-18.37	14.50	5.94	-.99	-1.32	-3.48	.00	.39	.09 S	25.7	25.0	2.9	22.7	.00	.0	09-21-83	87.4	2.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	73.00	60.00	71.00	4.00	5.97	148.00	22.00	-.52	3.32	5.25	-42.27	5.43	5.52 S	203.6	133.0	3.1	8.6	.13	.2	09-02-83	291.8	9.1	2.0	12.01	28.91	0183
Eckerd, Jack	ECK	28.13	25.25	28.13	1.63	6.13	34.88	22.88	.19	2.16	-3.18	1.28	1.91	.01 F	.5	6.0	3.1	14.7	.96	3.4	08-08-83	2325.0	71.7	2.0	.30	15.17	0783
Fays Drug	FAY	13.75	11.38	11.50	-2.00	-14.81	13.75	4.50	.45	-1.41	2.57	7.54	.48	.17 S	48.5	34.0	2.0	22.1	.16	1.4	09-06-83	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	16.88	15.00	15.50	-.75	-4.62	17.88	5.44	1.21	.73	-1.98	-4.70	.67	.25 S	47.1	33.0	1.6	19.9	.16	1.0	10-06-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	26.50	26.00	26.25	.25	.96	29.75	15.34	.27	.10	.87	35.94	1.52	.73 N	55.7	10.0	2.3	12.9	1.00	3.8	10-07-83	285.2	6.6	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	45.63	43.63	45.13	.75	1.69	50.13	33.75	.19	.72	.35	-17.10	2.92	.30 S	10.4	10.0	2.8	14.3	1.12	2.5	08-24-83	1123.2	30.9	1.8	.00	18.76	0183
Pay N Save	PAYN	25.00	22.88	25.00	.75	3.09	27.25	13.00	.03	1.97	-3.18	6.92	1.52	.77 S	66.3	2.0	1.6	13.0	.56	2.2	08-15-83	1043.2	16.8	2.3	17.01	14.32	0183
Pay Less NW	PAY	17.00	15.00	16.75	1.00	6.35	20.19	12.25	-.60	2.91	3.74	-7.61	1.07	.16 S	16.3	-1.0	2.5	14.7	.27	1.6	12-19-83	784.7	19.4	2.0	5.26	6.07	0183
Peoples Drug	PDG	27.88	23.25	25.13	-3.00	-10.67	31.75	16.09	-.41	2.05	6.10	-9.16	1.39	.36 N	27.0	22.0	1.5	14.9	.28	1.1	11-18-83	688.4	10.5	1.9	4.97	10.08	0982
Perry Drug	PDS	20.88	18.75	19.00	-2.00	-9.52	22.38	7.34	.41	-.68	-2.19	52.66	.73	.08 N	10.3	4.0	1.2	22.4	.20	1.1	08-15-83	244.3	2.9	1.9	6.04	6.50	1082
Revco Drug	RDS	35.63	32.63	32.63	-2.50	-7.12	36.25	25.09	.07	-1.08	.00	-14.26	2.13	.53 Q	31.3	25.0	3.7	14.7	.68	2.1	08-22-83	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	42.25	39.25	41.00	1.25	3.14	44.75	28.19	.38	.03	-2.89	13.45	2.37	.52 S	25.6	27.0	3.9	16.1	.64	1.6	10-11-83	1294.7	49.9	1.7	1.17	12.38	0283
Thrifty Cp	TFD	19.00	17.13	18.00	-1.13	-5.88	25.25	8.63	-.10	.02	-2.57	4.59	1.13	.21 F	22.8	18.0	1.9	15.9	.46	2.6	11-03-83	1187.8	22.5	1.5	5.62	6.14	0882
Walgreen Co	WAG	39.63	35.63	36.75	-.50	-1.34	39.63	24.31	.39	.93	-.47	-16.67	2.25	.39 F	20.9	36.0	2.9	16.3	.72	2.0	11-04-83	2360.6	69.0	1.5	1.79	9.81	0682
Wholesaler's transactions																											
Bergen Bruns	BBCA	29.25	27.00	27.13	-2.13	-7.27	39.50	24.19	.00	-.63	-2.20	61.02	1.60	.25 F	18.5	49.0	1.4	17.0	.32	1.2	10-26-83	1452.0	20.0	1.7	4.09	7.72	0882
McKesson Cp	MCK	42.38	38.88	40.75	1.25	3.16	51.00	37.50	.12	-.19	.34	-49.32	3.44	-.09 S	-2.5	5.0	1.6	11.8	2.40	5.9	08-26-83	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	26.75	24.75	25.75	1.00	4.04	28.50	23.75	.03	-.31	3.15	-12.23	.94	1.32 S	NC	199.0	.7	19.5	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	14.75	13.50	13.50	-1.38	-9.24	17.81	4.50	-.38	.09	-5.86	-50.00	.89	.48 Q	111.6	258.0	.4	14.8	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	17.50	16.50	17.25	.25	1.47	19.25	12.75	-.02	.28	-11.01	-53.35	.77	.18 N	16.3	5.0	.7	13.5	.32	1.9	06-17-83	211.4	1.5	2.8	10.55	9.76	1282
Spectro Indus	SPO	20.00	17.50	19.25	-1.25	-6.10	28.75	13.69	-.75	2.39	1.24	41.40	1.35	.34 S	30.0	50.0	1.6	13.1	.14	.7	09-19-83	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	51.88	48.75	49.13	-2.13	-4.15	53.38	34.25	.19	-.75	1.95	14.31	2.37	.44 N	19.4	26.0	11.1	18.2	1.00	2.0	10-07-83	2602.4	289.1	1.3	1.56	10.74	1282
Am Home Prod	AHP	54.25	51.00	52.00	-1.38	-2.58	54.25	41.75	.47	-.56	.00	-.01	3.59	.39 N	11.1	16.0	12.2	13.4	2.40	4.6	11-03-83	4582.1	560.1	2.7	.00	11.83	1282
Baxter Travenol	BAX	55.50	52.38	52.63	-2.38	-4.32	62.63	43.50	-.32	-1.10	.70	23.52	2.44	.52 N	22.6	25.0	11.2	18.7	.56	1.1	09-02-83	1671.4	186.9	2.0	2.36	15.04	1282
Block Drugs Co	BLOCA	27.00	26.00	26.00	-1.00	-3.70	35.50	18.13	-.28	.08	-7.46	25.00	2.93	.38 Q	14.4	14.0	9.7	8.6	1.00	3.8	11-25-83	219.0	21.3	2.5	2.42	18.37	0383
Bristol-Myers	BMY	47.88	43.63	43.75	-3.13	-6.67	47.88	31.19	.28	-.14	-.38	-23.20	2.59	.35 N	13.7	18.0	9.7	15.1	1.20	2.7	10-03-83	3599.9	348.7	2.3	.84	12.68	1282
Carter-Wallace	CAR	22.75	20.25	20.63	-1.63	-7.30	29.00	17.63	.25	.35	-.77	31.15	2.12	.53 Q	32.9	39.0	5.7	9.6	.44	2.1	08-01-83	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	37.00	29.50	29.50	-7.50	-20.27	49.00	21.75	-.68	-.97	.50	-11.34	.85	.49 N	58.3	22.0	3.4	22.2	.40	1.4	09-09-83	363.2	12.3	2.7	11.11	9.38	1082
Forest Labs	FRX	33.25	26.75	28.00	-5.50	-16.42	40.75	13.13	-.53	-1.11	3.41	7.58	.48	-.08 S	-13.5	124.0	13.4	54.9	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	8.63	6.63	7.50	-1.13	-13.04	15.25	6.63	-.77	1.93	-4.15	-29.25	.42	-.11 N	-27.5	121.0	7.8	25.9	.00	.0	00-00-00	38.7	3.0	1.8	.65	3.81	1182
Key Pharm	KPH	18.50	13.59	16.00	-2.50	-13.51	25.94	13.59	-.75	-.20	-.62	-6.79	.34	.15 N	51.7	161.0	14.9	36.4	.13	.8	11-04-83	82.3	12.3	1.6	.03	1.14	1282
Lilly Eli Co	LLY	68.38	63.13	67.50	3.50	5.47	68.38	55.38	.45	.01	-.88	4.76	5.42	.62 N	11.8	13.0	13.9	11.5	2.90	4.3	11-07-83	2962.7	411.8	1.9	.65	27.10	1282
Lee Pharm	LPH	2.75	2.00	2.63	.13	5.00	4.38	2.00	-.41	8.18	3.46	9.09	-.65	.72 N	NE	-132.0	-12.6	NE	.00	.0	00-00-00	10.3	-1.3	1.9	.46	1.98	0982
Marion Labs	MKC	44.50	39.00	39.13	-6.00	-13.30	48.00	22.06	-.04	-1.80	-.87	-42.15	.78	.33 Q	60.0	13.0	8.2	44.5	.32	.8	09-14-83	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	101.38	93.50	95.63	-6.13	-6.02	104.63	78.50	.11	-.53	.48	-9.45	5.61	.51 N	9.2	9.0	13.6	15.9	2.80	2.9	08-29-83	3063.0	415.1	2.1	4.56	29.81	1282
Morton Thiokol	MTI	78.50	75.50	76.25	-.75	-.97	80.50	48.13	.29	-.14	.45	-28.64	5.15	1.45 Q	35.8	16.0	5.2	13.9	1.76	2.3	11-23-83	1509.2	78.5	1.4	8.90	32.79	0683
Newport Pn	NWPH	8.75	7.38	7.88	-.88	-10.00	11.38	5.25	-.11	-.19	-.42	.95	-.03	.01 Q	NE	56.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	41.25	37.88	39.00	-1.38	-3.41	44.75	33.00	-.12	.41	-1.12	-14.28	2.13	.58 N	28.5	15.0	9.6	14.9	1.16	3.0	11-14-83	3453.6	332.8	2.0	3.37	12.82	1282
Reid Prov Labs	REID	3.25	2.75	2.75	-.25	-8.33	6.09	1.28	-.55	-2.43	.14	39.36	.10	.07 Q	116.6	72.0	6.1	21.2	.05	1.8	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	27.25	26.25	26.75	.13	.47	29.38	15.88	-.12	.07	.40	-34.46	1.98	.51 N	27.4	19.0	10.1	11.3	.68	2.5	08-18-83	482.3	48.7	4.0	1.50	13.29	1282
Rorer Group	ROR	27.88	26.50	27.63	.75	2.79	31.13	21.25	.12	.39	.09	-4.22	1.82	.15 N	8.3	12.0	9.0	14.2	1.08	3.9	11-03-83	402.4	36.3	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	17.50	16.50	17.50	.50	2.94	29.63	16.38	-.39	1.60	-1.76	-25.00	1.13	-.04 Q	-3.8	8.0	5.2	17.7	.30	1.7	09-07-83	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	51.88	47.25	48.63	-2.75	-5.35	55.88	34.75	-.04	.90	-1.48	-47.07	2.77	-.13 N	-5.1	25.0	13.5	20.4	.52	1.1	08-09-83	1036.9	140.4	2.2	4.10	13.32	1282
Squibb Corp	SQB	52.13	49.50	50.75	.13	.25	55.63	38.25	-.01	.10	-2.40	-20.15	3.01	1.69 N	111.9	2.0	9.2	15.9	1.44	2.8	11-14-83	1660.8	153.6	2.3	6.54	21.29	1282
Sterling Drug	STY	29.63	27.50	28.75	.63	2.22	29.63	21.75	.45	.92	-4.05	2.69	2.17	-.02 S	-.9	9.0	7.3	13.3	1.12	3.9	08-11-83	1796.2	132.0	2.8	1.19	14.16	1282
Syntex Corp	SYN	59.25	56.50	57.50	-1.13	-1.92	62.50	44.13	.09	.25	-5.80	-.28	4.30	.45 F	11.6	47.0	17.2	13.4	1.40	2.4	11-03-83	870.2	149.3	2.2	1.11	17.03	0782
Thompson Med	TM	17.63	12.75	17.25	1.25	7.81	26.00	7.56	1.86	.50	2.56	36.43	1.16	.48 N	43.2	69.0	12.7	10.8	.28	1.6	09-26-83	91.0	11.6	4.5	.00	4.53	1182
Upjohn Co	UPJ	60.38	57.50	57.50	-2.25	-3.77	68.75	42.75	.16	-.44	-6.74	-2.40	4.18	.10 N	2.0	5.0	6.9	11.5	2.28	4.0	09-30-83	1828.7	126.0	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	30.25	28.63	29.00	-1.00	-3.33	35.00	25.75	.15	-.32	.42	-7.17	2.05	.09 N	4.1	-3.0	5.0	12.7	1.48	5.1	10-31-83	3246.0	163.2	2.1	8.51	17.28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

*** — Other than a quarterly multiple resulting from a fiscal year change.**

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

MERCHANDISER

Buyers expect sunglass recovery in '84

By Jim Ricchiuti

After nearly two years of relatively flat sales, drug retailers are poised for a strong showing from the sunglasses category next year.

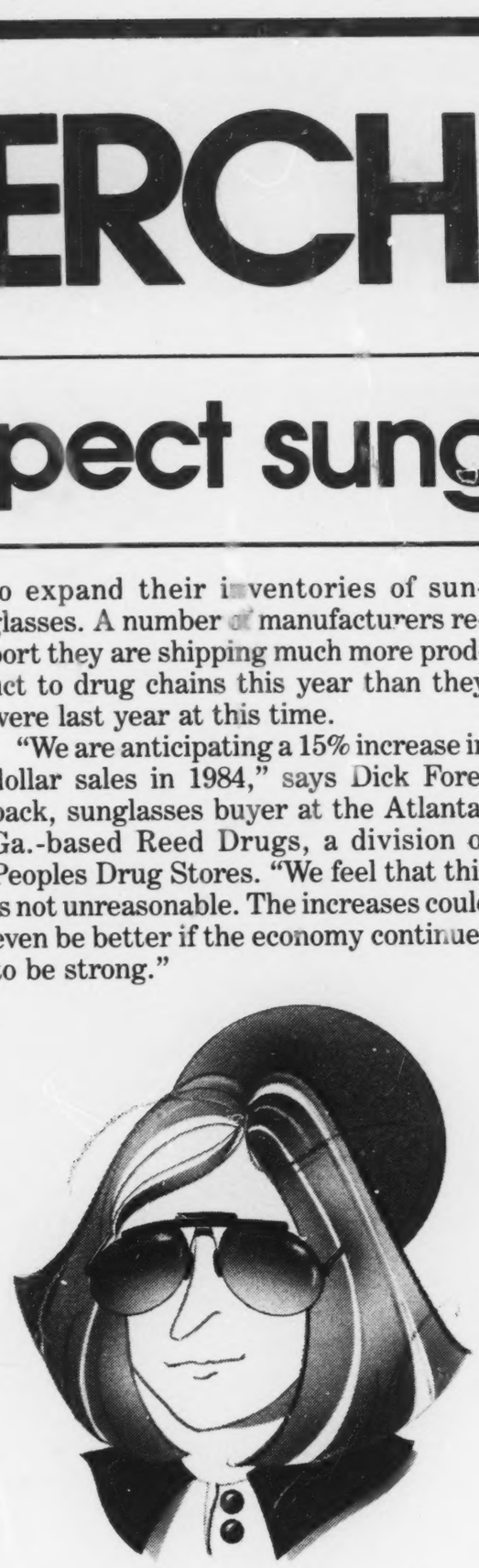
This year, sales of sunglasses showed signs of improvement over 1982 when unit growth was down by as much as 10%, according to some industry sources. However, many drug retailers report that at best the sunglasses category improved only somewhat this past summer.

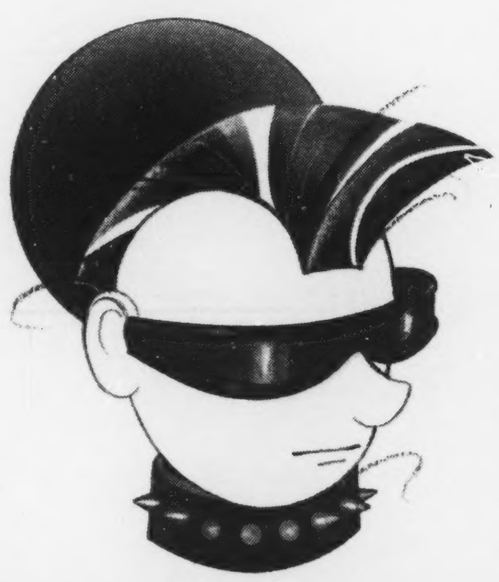
Among the reasons cited for the lethargic sales were the weak economy, which served to discourage impulse sales, a glut of designer sunglass brands and the decline of a leading supplier of moderate priced sunglasses, which has since resurfaced and is making a strong push for the drug trade.

Both manufacturers and retailers expect that growing economy will be a major factor in the projected increases in sunglasses sales in 1984. During the first eight months of 1983 dollar volume was up approximately 6% and unit growth increased 1% to 2%.

The apparent rise in the level of consumer confidence, which has prompted many people to loosen their purse strings, has also led many drug chains to expand their inventories of sunglasses. A number of manufacturers report they are shipping much more product to drug chains this year than they were last year at this time.

"We are anticipating a 15% increase in dollar sales in 1984," says Dick Foreback, sunglasses buyer at the Atlanta, Ga.-based Reed Drugs, a division of Peoples Drug Stores. "We feel that this is not unreasonable. The increases could even be better if the economy continues to be strong."





Not only will a strong economy have a stimulative effect on sales, many chain drug buyers say the consumer's sense of fashion—the desire to have sunglasses that match his or her lifestyle and dressing habits—now plays an even greater role in the multiple sales of sunglasses.

A number of buyers agree with Reed's Foreback, who says that "a large part of the business is fashion."

"As people have more money to spend, I think they will buy more sunglasses to go with different outfits," he notes.

John Schultz, advertising and sales promotion manager at the Gemmel Pharmacy Group, a 13-store chain based in Ontario, Calif., says that the key to selling sunglasses is to keep current with fashionable styles. "You really have to be on top of what style and what shape is selling," Schultz says.

In regions of the country that experience a much shorter selling season, buyers are cautious about making any sales predictions for next year. In these areas the selling season for sunglasses may only be three months and weather more often than not means the difference between a good year and a bad year.

Continued on page 37

Sales by type of retail outlets, 1982

Type of outlet	# of outlets	Retail volume (millions)	Share of sales	Avg. sale per outlet	Avg. selling price
Dept. stores	40,600	$194	27%	$47,783	$12.12
Drug stores	46,900	182	25	38,806	9.58
Discount stores	7,000	82	11	11,710	9.53
Food stores	77,900	43	7	N/A	9.50
Optical houses	9,800	79	11	8,060	18.29
Other	59,700	140	19	2,345	N/A

Source: Bausch & Lomb

Sunscreens wave of future, but teens still work on tans

Last year's unusually hot summer produced sales gains in all the suncare categories. But most buyers feel the future growth of the category will be in sunscreens.

Despite the growing use of sunscreen products by consumers, drug retailers say that the traditional tanning lotions are still selling at a good rate.

While last year's sweltering summer produced strong across-the-board gains in the suncare category for most chains, many retailers note that there was more interest in products offering a higher Sun Protection Factor (SPF).

The growth of the sunscreens category has been dramatic during the past few years as consumers have begun to take seriously the warnings from medical authorities about the dangers of spending too much time under a hot summer sun.

But despite the rapid growth of sunscreen products retailers say it is premature to write off the traditional suntanning lotions and ointments. Some retailers, like Peter Del Ponte, buyer of suncare products at Douglas Drug in North Providence, R.I., say the net result of the influx of sunscreens has been an overall expansion of the entire suncare category.

"Consumers seem to be using both types of products," Del Ponte notes. He said that last summer the chain recorded sales increases in the suncare category of more than 20%.

Like many other drug chains, Douglas merchandises suncare products in an 8-ft. section, but generates the bulk of its sales in the category from floor displays located in the promotional aisles.

Maxine Merrifield, H&BA buyer for Pontiac, Mich.-based Perry Drug Stores, says the market is shifting toward sunscreens. However, she added that the younger age groups "still want a deep, dark tan."

Merrifield agrees that consumers are purchasing more than one suncare product. "It appears that they are buying something that will give them their tans and then an after-tan product that offers them more protection," she said.

Overall, Merrifield says, sales this year were excellent. "This was the first year that I did not have to return any suntan product," she noted.

Perry also merchandised the category differently this past summer. In the past the chain allocated 8 ft. to 12 ft. of a gondola for suncare products. This year, Merrifield says, the chain opted for more visibility and stationed the suncare products on endcaps in the front of

Continued on page 30

MERCHANDISER

Buyers forecast sunglass recovery for 1984

Projected sales of nonprescription sunglasses

Year	Dollar volume (millions)	% growth	Unit price	Unit vol.	% growth
1987	$1 billion	+ 5%	$13.90	72	−1%
1986	$950	+ 6	13.00	73	−1
1985	$895	+ 6	12.10	74	−1
1984	$845	+ 7	11.30	75	0
1983	$790	+10	10.50	75	4

Source: Packaged Facts

Continued from page 29

According to Jim Whitticom, merchandising director at Carls Drug Co. in Rome, N.Y., "service is the key to the sunglasses category, especially for retailers with a short selling season."

Whitticom like many other drug retailers believes it is crucial to get the right product from suppliers and offer it at price points that will not cause any shopper resistance.

Buyers for chains located in rural areas say consumers are generally reluctant to spend over $15 for a pair of sunglasses. These same buyers note that the bulk of sunglass sales in drug stores are in the $10 to $11 range.

Growing market

A new study of the sunglasses market by Packaged Facts, a New York-based information research company, projects that the average price per pair of sunglasses in 1984 will be $11.30. By 1987, the study says, sales of nonprescription sunglasses will reach $1 billion and the average price per pair will grow to $13.90.

According to Bausch & Lomb, 40% of total sunglass sales are generated by the $5 to $7.49 price category. Sunglasses priced between $7.50 and $9.99 produce 26% of the sales, and glasses with price points ranging from $10 to $14.99 account for 18%.

With the majority of the sunglass sales taking place at price points below $15, drug retailers appear to be in an excellent position to continue their strong hold on this lucrative market, and possibly even obtain a larger overall market share.

Industry sources say drug chains control between 25% and 28% of the estimated $700 million-plus sunglass market.

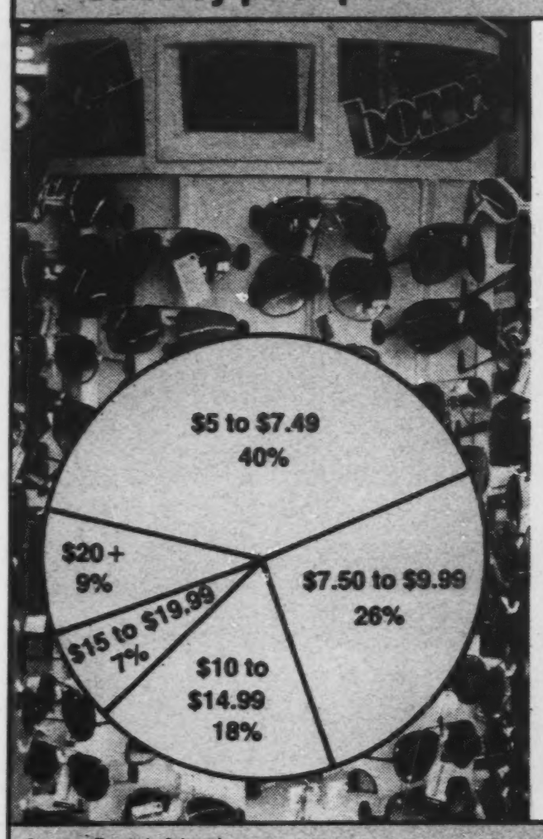
However, other observers say those percentages are misleading because they encompass the entire market, including high end purchases which traditionally have been controlled by department stores. Drug stores have elected not to concentrate on that portion of the market. Some sources in the industry say that drug chains account for as much as 50% of the low end sunglasses market—the one that matters most to drug retailers.

Overall, retail sales of sunglasses in 1984 could grow 10% to $790 million, according to Packaged Facts. The research firm said a 5% increase in dollar sales volume is likely and that a strong economy and a hot summer would add another 5%.

Unit volume next year is expected to reach 75 million. In 1982 it was 72 million.

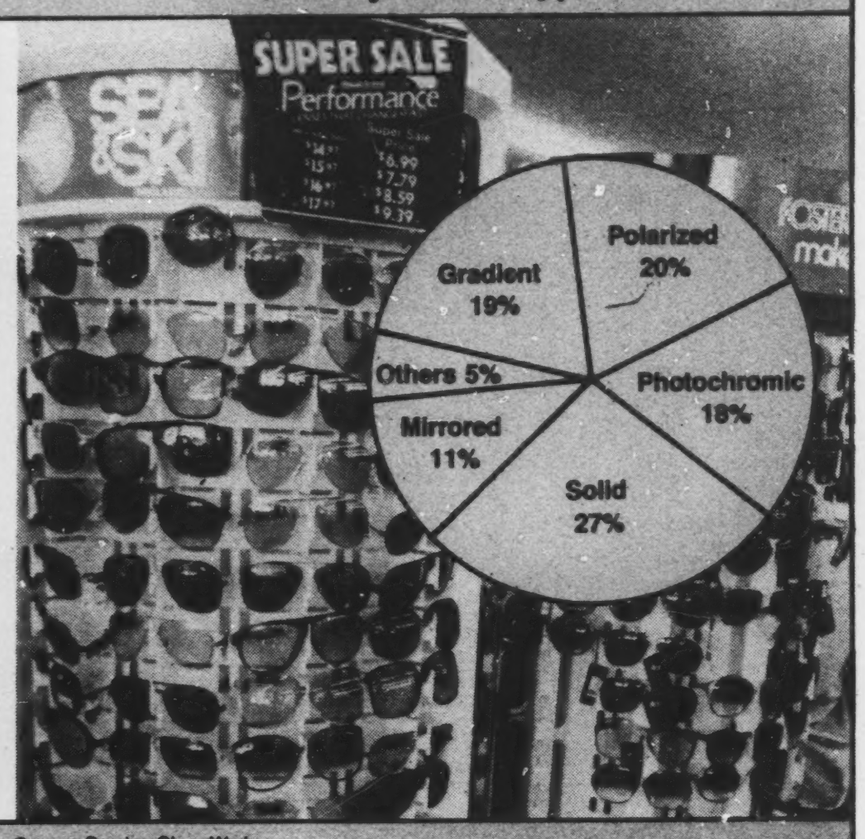
The sunglasses category is expected to get an additional shot in the arm this year as new lines are introduced by leading suppliers. Among the glasses manufacturers we believe will be hot sellers this year are single-shield, one-piece lenses, which sold extremely well in department stores last year; flip-up sunglasses; glasses with transparent frames, and color units including those with pastel shades.

Sales by price points

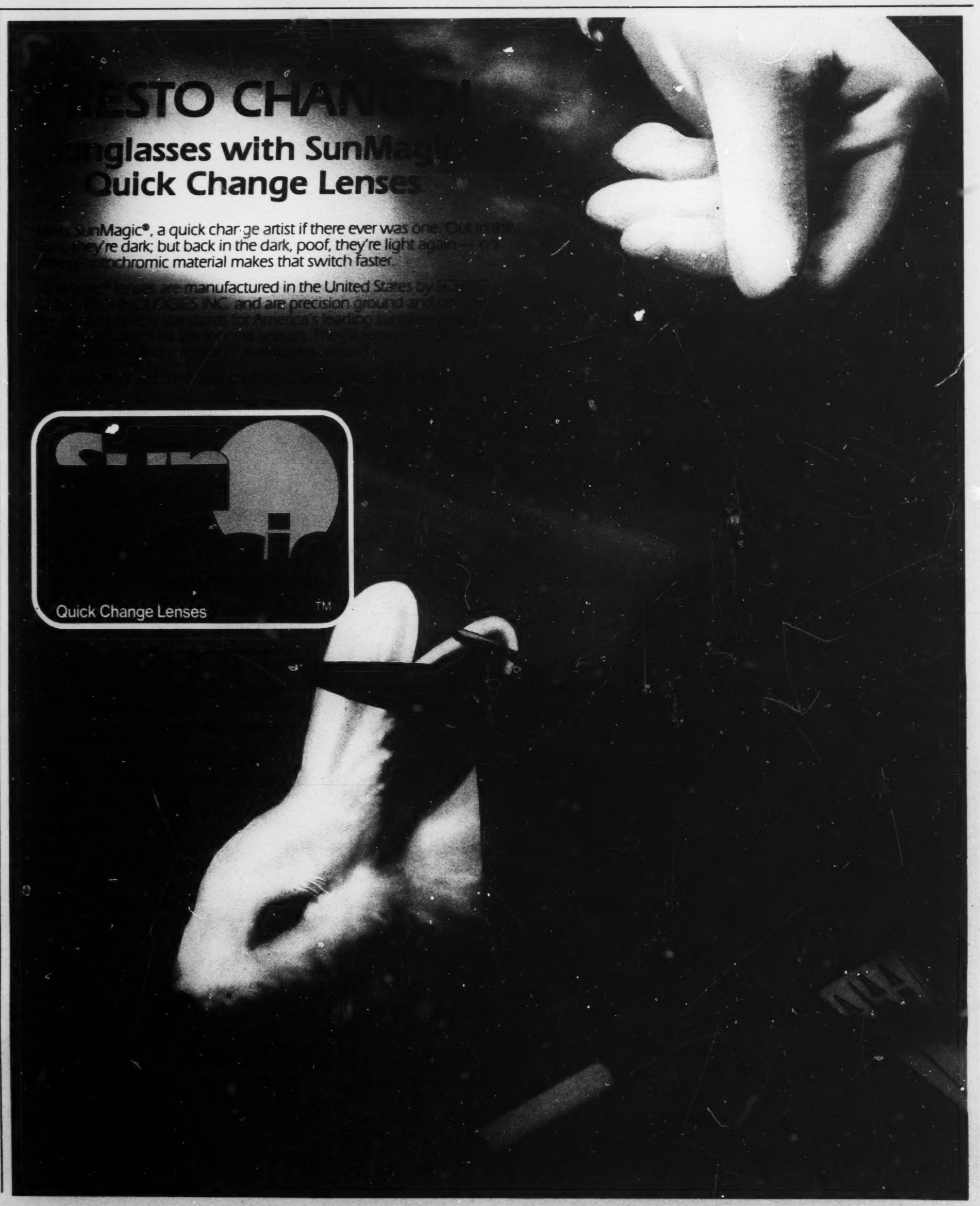


Source: Bausch & Lomb

Sales by lenses type



Source: Corning Glass Works



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THIRD ANNUAL

CONSUMER STUDY—p. 27

"Even though I know some of the prices are higher, I will still shop in a store where I know I'll get good quality."

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DRUG STORE NEWS

Vol. ... Serving the Retail Drug Store Industry for 55 years Published by Lebhar-Friedman Inc./December 12,1983

E...'d to launch checkout scanner test

CL... Fla.—Ecker... n testing check... in some stores ... ped with electronic cash registers designed to capture point-of-sale information.

The chain has already installed POS equipment that can be adapted for scanning in 100 stores. The scanning test, which is aimed at finding out if the laser devices can increase productivity, will begin in early 1984.

Stewart Turley, chairman and president of the Jack Eckerd Corp., told shareholders at the company's annual meeting that scanning equipment technology is improving.

"UPC and bar coding now amounts to 60% of the merchandise and 80% of the transactions in drug stores," Turley said. "It's getting close to the point where scanning will be more feasible."

Eckerd plans to test the scanners in two or three stores at the outset. The vendor and type of scanner—slot or hand-held laser device—have yet to be determined.

Recent developments in scanner technology have brought the price of the hand-held devices down to $1,400 for a 1-lb. unit that can be plugged into point-of-sale equipment.

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Approximately 100 Eckerd stores are already equipped with electronic cash registers that can capture point-of-sale information.

OTC items called growth opportunity

SDM sets marketing drive

BRIDGETOWN, BERMUDA—Targeting over-the-counter remedies as a "major growth opportunity for the future," Shoppers Drug mart has announced plans for an aggressive marketing campaign aimed at improving the purchasing, promotion and sellthrough of new and existing OTC products.

New purchasing guidelines for OTCs—including direct involvement by pharmacists—more consumer advertising of OTC health aids, and improved education of pharmacists for selling through OTCs are key elements of the plan, announced here by Shoppers Drug Mart chairman Murray B. Koffler at the annual meeting of the Proprietary Association of Canada.

With Rx-to-OTC conversions of more and more drugs accelerating the movement toward self-medication, the community pharmacist is being perceived by the public as a "drug counselor and consultant," Koffler said.

"The challenge, therefore, is that pharmacists have to gear up to fulfill their new and expanding role," he continued. He must come out from behind the dispensary to the front shop and communicate with his customers."

This transition, he added,"is changing the perception, and frankly the actuality, of the pharmacist as an overeducated, underutilized member of the health care team to one of a vital, pro-active contributor to people's health, safety and well-

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Chains: Antacid curbs will trim ad spending

WASHINGTON—Over-the-counter drug advertising by drug chains will drop significantly if the Federal Trade Commission follows through on a proposed rule to restrict the promotion of nonprescription antacids, chain industry leaders warned.

In comments filed with FTC, the National Association of Chain Drug Stores charged that the proposal "will discourage a significant amount of OTC advertising by our members due to the increased costs that would be incurred in order to include . . . warning statements in their advertising copy."

Under the proposal, OTC antacid ads would have to contain Food and Drug Administration warnings found on the product's label.

According to the FTC, failure to state this information constitutes unfair and deceptive advertising.

Continued on page 77

Peoples picks Va. for major distribution ctr.

FREDERICKSBURG, Va.—A computer-assisted site selection process has pinpointed this eastern Virginia community, located midway between Washington, D.C. and Richmond, Va., as the optimum site for construction of a new distribution center to serve up to 500 Peoples drug stores.

Pending final approval by Peoples' management and local government officials, construction of the $20 million, state-of-the-art facility is expected to begin early next year on a 40-acre industrial park site, on which Peoples currently holds an option to buy. The 350,000-sq.-ft. midrise building, which will contain an additional 160,-000-sq.-ft. double mezzanine, is expected to open in the spring of 1984.

When fully operational, the new center will replace three distribution centers (two in Richmond and one in Alexandria, Va.) that currently serve the 270 stores in Peoples' mid-Atlantic region. If current growth projections are

Continued on page 77

Medicine Shoppe plans expansion speedup

ST. LOUIS—Medicine Shoppe International, which has 412 franchised pharmacies in 44 states, plans to accelerate its expansion with the $12.2 million expected to be raised with the company's first public stock offering.

For the fiscal year ended Sept. 30, pharmacies in the franchise system generated nearly $135 million in sales, a 34% increase over the previous year. The franchise units are heavily prescription-oriented, with scripts accounting for more than 89% of total sales.

According to a preliminary prospectus, revenues at the parent Medicine Shoppe company amounted to $8.9 million, or 6.5% of the sales volume generated by its franchisees.

In an offering being underwritten by Shearson/American Express Inc., the drug store franchiser plans to sell 900,000 shares at $13.50 per share. Another 100,000 shares are being put up for sale by senior executives including Mitchell Yanow, chairman and a director; Ira C. Gall, a director; Donald P. Gallop, secretary and a director and Aron Katzman, a director.

At Medicine Shoppe, the emphasis is on pharmacy. Prescriptions account for 89% of sales at a typical outlet.

Without the public offering, Medicine Shoppe could have continued to expand at the same rate as in fiscal 1983, when 65 franchises were added, according to the preliminary prospectus.

Medicine Shoppe intends to use the proceeds from the public offering to increase the rate of franchised pharmacy openings. The company helps prospective franchisees to finance the $40,000 to $50,000 required for inventories, equipment and working capital to begin their businesses.

The typical Medicine Shoppe pharmacy is an 800- to 1,000-sq.-ft. prescription center, usually located in a freestanding building or in a strip shopping center.

For the first three months of operation, a typical store can be staffed by an owner-pharmacist. Between three to six months after opening, a pharmacy technician generally is added to provide clerical as-

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LATE NEWS

WALNUT CREEK, Calif.—Longs Drug has promoted Stephen D. Roath to the newly created position of senior vp of marketing. In his new position, Roath will supervise the departments of merchandising and professional affairs. Roath had been vp and director of professional affairs before the promotion. The consolidation of merchandising and professional affairs into one post follows the departure of Al Wilent. Wilent, who had been vp of merchandising, will become vp and director of merchandising at Genovese on Jan. 1. Longs also promoted Dan Wilson from district manager to vp and district manager.

CONTINUING EDUCATION PROGRAM

Drug treatment of multiple sclerosis

BEST COPY AVAILABLE

Chains plan sell-through of Christmas goods

NEW YORK—Drug retailers are expecting to ring in the Christmas season with sales running at least 10% better than last year.

Despite the optimistic forecast, most chains do not plan to increase seasonal inventory levels to match the sales increase. Instead, most plan to sell through before Christmas Day.

"Although we expect sales to be between 8% and 12% better than last year, our inventories won't even be 8% higher than last year," said Cal Hendricks, vice chairman of the board at Pay 'n Save. The chain is planning to sell through.

Begley, Big B and Fay's Drug are following similar strategies and expect to sell through before Christmas Day. However, the management at Begley is not as optimistic as those at other chains because the economic recovery has not penetrated into Begley's Kentucky markets.

Other chains, such as Page Drug, are more hopeful and expect Christmas sales to be 15% better than last year.

"Sales have been running that much ahead of last year all along, and we expect it to continue during Christmas," said Jack Sprabary, merchandise manager at the Dallas-based drug chain.

Page put its Christmas merchandise out during the first week in November, which was earlier than in the past.

"The discounters and department stores had their merchandise out then, so we had to compete," Sprabary said.

Page is bucking the trend at most chains by stocking holiday inventory at a level that is 15% higher than last year's. Few chains are going with inventory levels more than 9% higher than in the Christmas 1982 selling season.

So far, Page already has made some right decisions. The chain was able to latch on to some Cabbage Patch dolls, which appear to be the hottest item this year. Most chains were unable to get them.

Other fast-moving items at Page include imported plush, and space-saving appliances. Sprabary said coffeemakers and can openers that fit under the kitchen counter and can openers that hang on walls are moving well.

At Big B, vp Arthur Jones said telephones will be bigger than last year, and candy and cosmetics are selling well.

"We're planning on selling through on seasonal merchandise and to restock cost cosmetics," he said. Overall, the chain is expecting Christmas sales to be at least 10% better than last year.

Big B does not plan to sell many toys, but is carrying the Atari 5200 video game system and the basic Atari line.

"The Timex Sinclair home computer is not selling as well as last year, but at $30, it is selling," he said.

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Space walk

Outsize plush toys pose two problems for retailers: Where to find the space to display the super-bulky items and how to keep little hands away from them. A Pay Less store in Oakland found the answer by suspending them on overhead wires. This way they get high visibility without using floor space and they do not become the darlings of the "play set."

After a year, Thrifty still testing recipe for convenience food dept.

LOS ANGELES—After testing a convenience food department at its headquarters store for almost a year, Thrifty Drug has expanded the section and continues to test at this store without any further commitment.

The original section—consisting of two 30-ft., 4-shelf facing gondola sides—remains. The addition is an 18-ft., 4-shelf section on the reverse side of one gondola. Thrifty has also added a 3-ft. bread rack. No dairy, deli, or frozens are carried.

In addition to adding space, Thrifty has redefined its merchandising approach on food. Now all the items on the two 30-ft. facing gondolas (canned juices, canned vegetables, coffee, tea, bread, crackers, cereal, shortening, jams-jellies, canned fish and meats, sauces and dressings, raisins, pasta, soup, gelatine, packaged dinners) are basic staples. Merchandise on the 18-ft. section consists of special buys and ad carryovers.

The 18-ft. section is across the aisle from chips, snacks and nuts, and adjoins liquor-beverage, thus ensuring strong impulse pick-up of related items.

Ad items are positioned on bay ends throughout the store, as well as on four of the 15 4-ft.-by-4-ft. midaisle tables. Three of these tables, stocked with food, abut the food gondolas.

Thrifty management has not indicated how long the test will continue. However, it is believed that Thrifty is considering three alternatives: to install food sections in other stores; to pull out the section in the headquarters store, or let the section remain only at the headquarters store.

Observers feel Thrifty will do the latter—retain only at the headquarters store—because it is an effective tool in projecting a low-price image to the low-income shoppers in the area. Another factor favoring retention is the strong competition across the street from Clark Drugs, which is heavily stocked with food.

News in brief

Longs income jumps 21%

WALNUT CREEK, Calif.—Net income at Longs for the third quarter increased 21% to $7.7 million from $6.3 million for the comparable quarter last year.

Sales for the quarter ended Oct. 27 were $290.6 million, up 7% from $272.2 million.

Earnings per share for the quarter were 72¢, up from 60¢.

For the three quarters ended Oct. 27, net income was $25 million, or $2.36 per share, up 18% from $21.1 million, or $2 per share, for the similar period last year.

Perry attains record sales goal

PONTIAC, Mich.—Perry Drug Stores reported that it had achieved its record sales goal of $285 million for the fiscal year ended Oct. 31. Sales were up almost 17% over the $244 million reported last year. Perry chairman Jack A. Robinson credited the strong growth to store expansion as well as an 11% sales increase in seasoned store volume. The chain closed the year with 185 stores.

Bloom joins Imasco board

MONTREAL, Quebec—David Bloom, president and ceo of Shoppers Drug Mart, has been named to the board of directors of Imasco Ltd., SDM's parent company. Imasco reported consolidated earnings for the six months ended Sept. 30 of $96.7 million, up 24% from earnings of $78.1 million in the comparable year-earlier period.

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Vol. 5, No. 26 December 12, 1983

Reactions of execs differ

Quaalude production will cease

SELLERSVILLE, Pa.—Lemmon Company's decision to halt the production of Quaalude, its brand name for methaqualone, was greeted by mixed reactions from chain drug executives.

While some execs praised the decision because of the abuse problem associated with the drug, others maintained that controlled distribution should continue as long as there remains a legitimate medical need for the drug.

Michael Zagorac, spokesman for the Jack Eckerd Corp., was one exec who reacted favorably to Lemmon's action. "We discontinued the sale of methaqualone almost two years ago," Zagorac said, "to bring higher public visibility to the abuse problem associated with it."

Zagorac pointed out that the banning of methaqualone sales had helped reduce Eckerd's pharmacy-related crime by 40%. In addition, testimony on the drug by Stewart Turley, chairman and president of the chain, had helped influence legislation in Florida and Georgia prohibiting the sale of methaqualone. California more recently banned sales of the drug.

In contrast, John Kern, vp of professional operations at Revco, said he thought methaqualone should be sold if there exists a legitimate purpose.

"Our job as a drug store is to fill prescriptions for legitimate reasons," Kern said. "If that need exists, then I can't see refusing to dispense the drug to the patient."

Although Lemmon has ceased the manufacture of Quaalude, Barry Edwards, the company's director of regulatory compliance, was quick to point out that a great deal of the "methaqualone" flooding the underground market is counterfeit.

"Much of the drugs available in the black market aren't methaqualone at all," Edwards explained, "but filled with diazepam [the widely used tranquilizer]. Many are even filled with some inert material that has no effect."

Edwards said Lemmon's decision was the result of "increased adverse legislative climates and unjustifiable publicity we received because of it." Lemmon was the only United States manufacturer licensed to make and distribute the drug.

SupeRx was another chain that discontinued sales of methaqualone, a decision that was made more than a year ago.

But Stanley Kohn, director of professional services for the Cincinnati-based drug chain said that Lemmon's decision was "a real disservice to the people that were using the drug

Continued on page 77

Safeway broadens tests of Rx computer systems

OAKLAND, Calif.—After testing the IBM Series 1 standalone pharmacy terminal for five months in two San Francisco superstores, Safeway will expand the IBM test early in 1984.

In addition, Safeway will test National Semiconductor pharmacy terminals next year.

IBM Series 1 is being installed in superstores with IBM scanning systems and National Semiconductor terminals are being installed in stores with National Semiconductor scanners. Safeway's rationale: It's easier and more convenient for one vendor to service both pharmacy terminals and scanners in the same store.

National Semiconductor Data Checker/DTS will not reveal product information on its new pharmacy terminal at this time. However, Safeway will be the company's first test installation.

Based in California's famed Silicon Valley, National Semiconductor is a prime supplier of scanners for the nation's supermarkets. Established in 1972, National Semiconductor has 924 scanner installations (or 39% of the market) among the nation's top 10 supermarket chains.

Safeway has been testing pharmacy terminals since 1980, when two stores in the Washington, D.C. division installed the Healthroom on-line system. In 1981, Safeway installed the OSI standalone (hardware by IBM, software by G & H Ltd. Galena, Kan.). At the same time, Safeway tested the Pharmatrex on-line pharmacy terminal (hardware by Nixdorf of Germany, software by Blodgett of Salt Lake City).

After testing, Safeway elected not to go further with any of these systems, but "to go back and look at the pharmacy computer concept," according to one Safeway exec.

Safeway did make one decision: to go with standalone. Although the chain will not comment on its reasoning, a pharmacy terminal expert says that "standalone works best for Safeway because their pharmacies are in clustered areas. The system has the ability to poll data at night at a central location. This saves many after-

Continued on page 78

FINANCIAL

Pay 'n Save boosts net income by 104%

SEATTLE—Net income at Pay 'n Save for the quarter ended Oct. 31 increased 104% to $6.8 million from $3.3 million for the comparable quarter last year.

Sales for the quarter were $284 million, up 11% from $255 million for the same year-earlier period.

Earnings per share for the quarter were 54¢, up from 30¢.

For the first three quarters of the fiscal year, net income increased 102% to $16.7 million from $8.3 million from the corresponding period last year. Sales for the first three quarters rose 10.5% to $813.4 million, from $736.2 million. Earnings per share for the period were $1.40, up from 75¢.

Same store sales for the quarter increased 10%. Interest expenses declined nearly $1.5 million because of reduced borrowing levels, and the company benefited from effective expense controls and strengthening gross margins.

"We achieved solid earnings gains in each of our three major business lines: drug, home center and apparel," said Cal Hendricks, vice chairman of the board. "Earnings increases were particularly outstanding in our Pay 'n Save drug division and our Lamonts apparel division."

Three of six new stores planned for the year opened in the third quarter: a Pay 'n Save and an Ernst Home Center in Missoula, Mont., and a Pay 'n Save in Hawaii.

Eckerd pushes net income up 20.9% in first quarter

CLEARWATER, Fla.—The Jack Eckerd Corp. has turned the corner with a 20.9% gain in net income for the first quarter, reversing the disappointing 1.5% profits increase posted for fiscal 1983.

Net income for the quarter ended Oct. 29 was $11.1 million, up from $9.2 million for the comparable quarter last year. Sales increased 15% to $543 million from $472.1 million. Earnings per share for the quarter were 30¢, up from 25¢.

The earnings improvement reflects a LIFO charge of 3¢ for the quarter instead of 4¢ for the first quarter last year.

Stewart Turley, chairman and president, said, "We are pleased with the improving picture at Eckerd Drug and American Home Video. We look forward to a strong Christmas selling season."

At Eckerd Drug, operating profit increased 23.7% to $28.3 million from $22.9 million for the comparable quarter last year.

Sales for the drug division in the first quarter were $472.6 million, up 15.1% from $410.5 million.

The drug division will enter the Christmas season with 1,370 stores, up from 1,319 at the end of the 1983 fiscal year.

At American Home Video, operating losses were reduced to $2.9 million for the quarter.

Genovese net income gains 46.8%

MELVILLE, N.Y.—Net income at Genovese for the quarter ended Nov. 4 increased 46.8% on an 18.8% sales gain.

Net income for the chain's third quarter was $737,000, up from $502,000 for the comparable quarter last year. Sales were $42.7 million, up from $36 million.

For the first three quarters, net income increased 47.7% to $2.1 million from $1.5 million. Sales increased 21.2% to $139.1 million from $114.8 million.

Earnings per share for the first three quarters were 53¢, up from 37¢.

Big B bounces back to lead chain advance

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		11/4/83—11/21/83							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio							Long Term Debt	Common Stock Equity	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	22.88	20.50	21.75	1.25	6.10	24.88	8.25	-.15	.46	-5.29	8.42	1.12	.39	N	42.8	17.0	1.6	16.7	.04	.2	12-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	41.50	38.75	41.38	.25	.61	44.00	19.22	-.12	1.08	-2.34	14.55	2.69	.85	S	37.6	45.0	1.2	13.3	.48	1.2	09-20-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	21.25	18.50	18.50	-2.75	-12.94	24.00	9.50	-.58	.00	4.04	41.67	1.47	1.27	S	NC	-12.0	1.4	14.6	.68	3.7	10-14-83	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	12.63	10.00	12.50	2.00	19.05	14.50	6.19	.03	-.44	3.20	-14.14	.39	.12	N	34.2	25.0	2.9	26.6	.00	.0	09-21-83	87.4	2.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	71.00	61.00	61.00	-10.00	-14.08	148.00	22.25	-.18	-1.79	-.99	-25.97	5.43	5.52	S	203.6	67.0	3.1	7.4	.13	.2	09-02-83	291.8	9.1	2.0	12.01	28.91	0183
Eckerd, Jack	ECK	29.38	27.25	29.13	1.88	6.88	34.88	22.88	.48	.41	.19	-6.78	1.91	.01	F	.5	6.0	3.1	15.2	.96	3.3	11-03-83	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	13.50	11.38	13.00	.75	6.12	13.75	5.47	.09	.49	-3.11	28.16	.48	.17	S	48.5	34.0	2.0	25.0	.16	1.2	09-06-83	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	18.13	15.50	17.75	2.00	12.70	18.13	5.44	.69	.45	4.46	1.89	.67	.25	S	47.1	33.0	1.6	22.8	.16	.9	10-06-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	26.75	26.00	26.00	-.25	-.95	29.75	15.34	.17	-.59	2.37	-13.58	1.52	.73	N	55.7	10.0	2.3	12.7	1.00	3.8	10-07-83	285.2	6.6	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	45.50	43.00	43.88	-1.63	-3.57	50.13	33.75	.03	-.39	2.51	16.40	2.92	.30	S	10.4	10.0	2.8	13.9	1.12	2.6	08-24-83	1123.2	30.9	1.8	.00	18.76	0183
Pay N Save	PAYN	26.63	24.50	25.00	.25	1.01	27.25	13.50	.15	-1.12	.05	1.07	1.52	.77	S	66.3	2.0	1.6	13.0	.56	2.2	11-17-83	1043.2	16.8	2.3	17.01	14.32	0183
Pay Less NW	PAY	18.75	16.50	18.50	1.63	9.63	20.19	12.25	.36	1.44	.25	36.65	1.07	.16	S	16.3	-1.0	2.5	16.2	.27	1.5	12-19-83	784.7	19.4	2.0	5.26	6.07	0183
Peoples Drug	PDG	26.50	24.75	26.00	.75	2.97	31.75	16.09	-.40	-.54	3.29	-5.91	1.39	.36	N	27.0	22.0	1.5	15.4	.28	1.1	11-18-83	688.4	10.5	1.9	4.97	10.08	0982
Perry Drug	PDS	19.25	18.00	18.75	-.63	-3.23	22.38	7.34	-.48	.11	-6.53	-13.16	.73	.08	N	10.3	4.0	1.2	22.1	.20	1.1	08-15-83	244.3	2.9	1.9	6.04	6.50	1082
Revco Drug	RDS	35.88	32.63	33.75	.50	1.50	36.25	25.09	-.07	-.65	1.40	20.79	2.13	.53	Q	31.3	25.0	3.7	15.2	.68	2.0	08-22-83	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	46.88	41.00	44.00	3.00	7.32	46.88	28.19	.40	-.23	-2.90	-15.23	2.37	.52	S	25.6	27.0	3.9	17.3	.64	1.5	10-11-83	1294.7	49.9	1.7	1.17	12.38	0283
Thrifty Cp	TFD	19.38	17.13	19.25	1.25	6.94	25.25	8.63	-.21	1.67	-.78	-3.21	1.13	.21	F	22.8	18.0	1.9	17.0	.46	2.4	11-03-83	1187.8	22.5	1.5	5.62	6.14	0882
Walgreen Co	WAG	40.00	36.00	39.13	2.13	5.74	40.00	26.00	.25	-.35	-1.71	1.09	2.25	.39	F	20.9	36.0	2.9	17.4	.72	1.8	11-04-83	2360.6	69.0	1.5	1.79	9.81	0882
Wholesaler's transactions																											
Bergen Bruns	BBCA	28.50	26.63	28.38	.75	2.71	39.50	24.19	-.27	.67	2.46	10.12	1.60	.25	F	18.5	49.0	1.4	17.7	.32	1.1	10-26-83	1452.0	20.0	1.7	4.09	7.72	0882
McKesson Cp	MCK	42.13	39.00	41.00	-.50	-1.20	51.00	37.50	.27	.10	-1.26	39.68	3.44	-.09	S	-2.5	5.0	1.6	11.8	2.40	5.9	11-25-83	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	25.75	25.50	25.50	-1.00	-3.77	28.50	23.75	.21	-.21	-1.42	-56.05	.94	1.32	S	NC	99.0	.7	19.3	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	17.63	13.75	17.00	3.50	25.93	17.81	6.38	.12	2.73	10.81	1.30	.89	.48	Q	111.6	56.0	.4	18.7	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	17.50	16.75	17.00	.00	.00	19.25	12.75	.02	-.02	-4.86	-19.57	.77	.18	N	16.3	5.0	.7	13.3	.32	1.9	08-17-83	211.4	1.5	2.8	10.55	9.76	1282
Spectro Indus	SPO	20.00	18.63	19.88	1.00	5.30	28.75	13.69	-.35	.36	-1.59	15.27	1.35	.34	S	30.0	50.0	1.6	13.5	.14	.7	09-19-83	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	50.50	46.63	46.88	-2.75	-5.54	53.38	36.13	-.19	-1.86	2.57	5.57	2.37	.44	N	19.4	26.0	11.1	17.4	1.00	2.1	10-07-83	2602.4	289.1	1.3	1.56	10.74	1282
Am Home Prod	AHP	53.25	51.38	53.13	.88	1.67	54.25	41.75	.16	.48	-1.74	.01	3.59	.39	N	11.1	16.0	12.2	13.7	2.40	4.5	11-03-83	4582.1	560.1	2.7	.00	11.83	1282
Baxter Travenol	BAX	27.38	23.88	25.75	-.75	-2.83	31.31	21.75	-.34	-1.86	3.61	33.20	1.22	.26	N	22.6	25.0	11.2	18.3	.28	1.1	11-18-83	1671.4	186.9	2.0	1.18	7.52	1282
Block Drugs Co	BLOCA	26.50	26.00	26.50	.25	.95	35.50	19.00	-.12	.54	9.12	21.05	2.93	.42	S	15.6	14.0	9.7	8.5	1.00	3.8	11-25-83	219.0	21.3	2.5	2.42	18.37	0383
Bristol-Myers	BMY	45.50	43.38	44.25	.25	.57	47.88	31.19	-.06	-.21	-.79	-7.17	2.59	.35	N	13.7	18.0	9.7	15.3	1.20	2.7	10-03-83	3599.9	348.7	2.3	.84	12.68	1282
Carter-Wallace	CAR	21.38	19.88	20.50	-.25	-1.20	29.00	17.75	-.21	.03	-1.25	-35.77	2.12	.50	S	28.4	38.0	5.7	9.1	.48	2.3	11-09-83	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	30.00	25.25	28.50	-1.75	-5.79	49.00	21.81	-1.17	-.27	3.18	-.02	.85	.49	N	58.3	22.0	3.4	21.4	.40	1.4	09-09-83	363.2	12.3	2.7	11.11	9.38	1082
Forest Labs	FRX	30.75	25.63	30.00	1.00	3.45	40.75	15.06	-.62	1.44	-1.23	25.31	.48	-.08	S	-13.5	62.0	13.4	58.8	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	9.13	7.13	8.75	1.50	20.69	15.25	6.63	-.53	4.55	1.94	22.83	.42	-.11	N	-27.5	38.0	7.8	30.2	.00	.0	00-00-00	38.7	3.0	1.8	.65	3.81	1182
Key Pharm	KPH	18.88	15.13	18.00	1.75	10.77	25.94	13.59	-.31	1.22	-1.86	-23.23	.34	.15	N	51.7	80.0	14.9	40.9	.13	.7	11-04-83	82.3	12.3	1.6	.03	1.14	1282
Lilly Eli Co	LLY	68.00	64.75	65.00	-2.75	-4.06	68.38	55.38	.30	-.77	1.00	-6.62	5.42	.62	N	11.8	13.0	13.9	11.1	2.90	4.5	11-07-83	2962.7	411.8	1.9	.65	27.10	1282
Lee Pharm	LPH	3.00	2.50	3.00	.50	20.00	4.38	2.00	.51	3.97	2.13	-12.64	-.65	.72	N	NE	-81.0	-12.6	NE	.00	.0	00-00-00	10.3	-1.3	1.9	.46	1.98	0982
Marion Labs	MKC	44.00	38.75	43.00	3.63	9.21	48.00	22.06	-.21	-.39	.90	-36.95	.78	.33	Q	60.0	13.0	8.2	48.9	.32	.7	09-14-83	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	99.50	95.25	98.00	2.63	2.75	104.63	78.50	-.08	-.28	-2.80	9.65	5.61	.51	N	9.2	9.0	13.6	16.3	2.80	2.9	08-29-83	3063.0	415.1	2.1	4.56	29.81	1282
Morton Thiokol	MTI	80.50	75.50	79.25	3.50	4.62	80.50	48.13	.13	-.04	4.34	10.51	5.15	1.45	Q	35.8	16.0	5.2	14.4	1.76	2.2	11-23-83	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	9.63	7.75	8.00	.13	1.59	11.38	5.25	.29	-3.02	5.49	1.48	-.03	.01	Q	NE	22.0	-3.4	NE	.00	.0	00-00-00	9.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	41.13	37.25	38.63	-.50	-1.28	44.75	33.00	-.17	-.74	-.74	-23.11	2.13	.58	N	28.5	15.0	9.6	14.8	1.16	3.0	11-14-83	3453.6	332.8	2.0	3.37	12.82	1282
Reid Prov Labs	REID	3.00	2.75	3.00	.25	9.09	6.09	1.31	-.01	.11	-1.19	8.09	.10	.07	Q	116.6	72.0	6.1	23.1	.05	1.7	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	26.88	24.25	24.75	-2.13	-7.91	29.38	15.88	-.28	-.67	.45	48.73	1.98	.51	N	27.4	19.0	10.1	10.4	.68	2.7	08-18-83	482.3	48.7	4.0	1.50	13.29	1282
Rorer Group	ROR	34.25	27.00	32.50	5.38	19.82	34.25	21.25	.78	.47	9.02	-10.75	1.82	.15	N	8.3	12.0	9.0	16.8	1.08	3.3	11-03-83	402.4	36.3	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	18.63	16.75	18.63	1.38	7.97	29.63	16.38	.08	.66	-5.36	10.29	1.13	-.04	Q	-3.8	8.0	5.2	18.8	.32	1.7	12-07-83	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	52.50	48.25	52.00	3.25	6.67	55.88	34.75	.11	-.09	-2.53	.00	2.77	-.13	N	-5.1	25.0	13.5	21.8	.52	1.0	10-31-83	1036.9	140.4	2.2	4.10	13.32	1282
Squibb Corp	SQB	51.88	49.25	50.00	-.13	-.25	55.63	38.25	-.10	.01	-4.40	-30.60	3.01	1.69	N	111.9	2.0	9.2	15.6	1.44	2.9	11-14-83	1660.8	153.6	2.3	6.54	21.29	1282
Sterling Drug	STY	29.50	27.75	28.00	-1.00	-3.45	29.63	21.75	.19	-.58	-1.27	12.52	2.17	-.02	S	-.9	9.0	7.3	13.0	1.12	4.0	11-09-83	1796.2	132.0	2.8	1.19	14.16	1282
Syntex Corp	SYN	59.88	55.75	56.00	-1.25	-2.18	62.50	44.13	-.03	-1.24	1.26	18.39	4.30	.45	F	11.6	47.0	17.2	13.0	1.40	2.5	11-03-83	870.2	149.3	2.2	1.11	17.03	0782
Thompson Med	TM	22.38	15.75	22.25	6.75	43.55	26.00	8.97	-.32	2.80	-4.70	9.38	1.16	.48	N	43.2	69.0	12.7	14.0	.28	1.3	09-26-83	91.0	11.6	4.5	.00	4.53	1182
Upjohn Co	UPJ	60.00	56.25	56.50	-1.75	-3.00	68.75	42.75	-.11	-1.07	4.78	-44.03	4.18	.10	N	2.0	5.0	6.9	11.3	2.28	4.0	09-30-83	1828.7	126.0	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	29.75	28.50	28.75	-.25	-.86	35.00	25.75	-.16	.08	-.96	-4.77	2.05	.09	N	4.1	-3.0	5.0	12.6	1.48	5.1	10-31-83	3246.0	163.2	2.1	8.51	17.28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

*** — Other than a quarterly multiple resulting from a fiscal year change.**

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

PHARMACY

MAC creates '2nd-class citizens,' chains say

WASHINGTON—Federal Maximum Allowable Cost Rx regulations place the Medicaid recipient "into the position of a second-class citizen, forced to accept the lowest-priced drug," chain drug store industry leaders told the Department of Health and Human Services.

In a flurry of comments submitted to H.H.S. after a two-day hearing on Medicaid drug reimbursement regulations earlier this year, a number of key drug store chains charged that pharmacies "can no longer survive" under the present system.

Among other things, the chain leaders blasted a provision of the Medicaid reimbursement rules that requires drug stores to provide services to Medicaid recipients who can not afford to share the cost of a prescription, forcing pharmacies to absorb the loss.

"While this may appear to be compassionate public policy, the result is to deny providers the recovery of a significant portion of the cost incurred in filling the prescription," Hook Drug's Government affairs director Raymond Rizzo told Federal Medicaid regulators.

In separate comments, Medi Mart Drug Stores voiced similar concerns and urged H.H.S. to change the copayment rules.

Specifically, the chain recommended that Rx drugs be exempted from the copayment requirements or that the regulations be revised so that the "state Medicaid agency and the Federal Government are the payor of the last resort on all uncollected copayments."

According to chain drug store industry leaders, Medicaid recipients and the general public are also adversely affected by the MAC program.

Because the MAC regulations require pharmacists to dispense the lowest-priced drug covered by the program to Medicaid recipients, those customers are put into a "second-class" position, SupeRx Drug Stores said.

Even though SupeRx chain policy is to actively support generic substitution and to stock only Food and Drug Administration approved drugs, chain vice president Gary Hendren told H.H.S. that there is a tendency on the part of Medicaid recipients to view "lowest priced" drugs offered under the MAC program as lower grade.

In addition, because pharmacists are usually inadequately reimbursed for filling Medicaid prescriptions, drug stores are forced to "increase the price to nonprogram cash-paying patients," Hendren said.

The written comments submitted by the chains over the last two months echoed the concerns raised earlier by other officials from the National Association of Chain Drug Stores, Revco and Rite Aid during the public hearing on Medicaid reimbursement in September.

At that meeting chain spokesmen denounced the copayment rules and criticized as unfair the "lower of" MAC provisions requiring pharmacists to accept reimbursement for Medicaid prescriptions at the lowest of the MAC cost of the drug plus a dispensing fee or the pharmacist's "usual and customary" charge.

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Generics capture 26% of diuretics market

ARLINGTON, Tex.—Diuretics, a market once totally brand-oriented is rapidly shifting toward suppliers of generic pharmaceuticals.

Although branded drugs still play a significant role in the market with almost ¾ of all diuretic scripts dispensed via drug stores, unbranded products gained 12 share points in the last year and now hold a 26% share of market.

That's the conclusion of an analysis comparing diuretic scripts dispensed during July 1983 versus the same time a year ago. Data used in the report were compiled by Decision Data, a marketing research firm based here.

Further evidence of generic drug penetration is noted by the fact that six positions among the top 25 in the domestic market are occupied by generic diuretics. And market share figures for such firms as Geneva, Rugby, United Research Labs and Lederle Standard Products indicates future growth potential.

Virtually all generics noted in the report registered at least one share point in highly competitive market. Meanwhile branded items continued to report slight declines in share.

In fact the only two branded diuretics recording gains during the audit period were Dyazide Caps going from 27.5% to 27.7%, and Moduretic tab 5/50, a reasonably new market entry which gained 1.4 share points to 2.8% of the market.

Gains in the prices consumers pay for their diuretic scripts were somewhat modest (+4%) compared to last year's $8.94 figure. A typical diuretic script retailed for $9.32 during July 1983, a gain of 38¢ over 1982. Both periods' prices were well below the average script price

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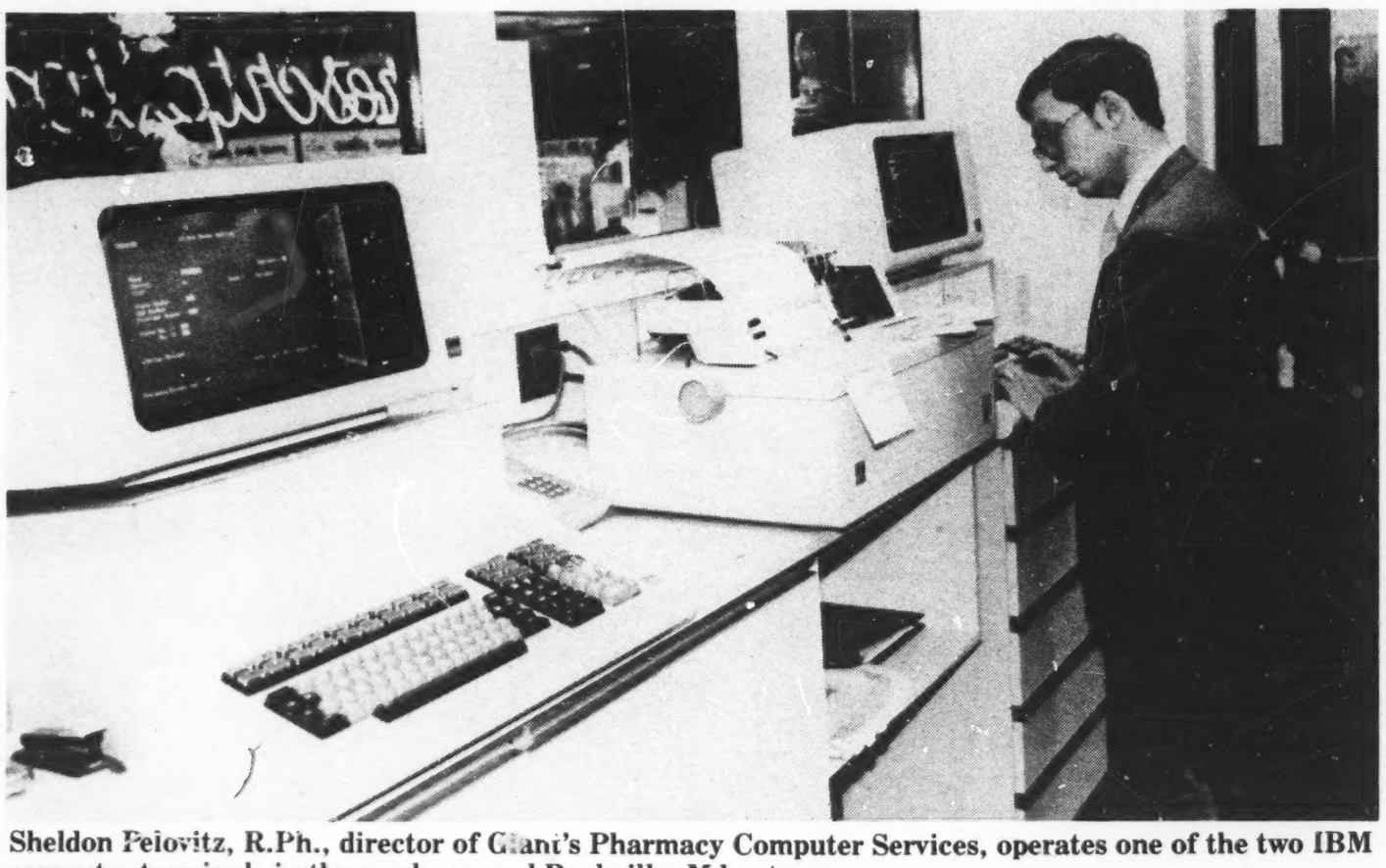

Sheldon Pelovitz, R.Ph., director of Giant's Pharmacy Computer Services, operates one of the two IBM computer terminals in the newly opened Rockville, Md., store.

Giant opens with updated computer

By Harold Cohen, R.Ph.

ROCKVILLE, Md.—Giant Food has introduced a modified version of its IBM pharmacy computer system with the opening of its new 60,000-sq.-ft. prototype combo store here last month.

As a result of the modifications, patients will be notified by the pharmacist when a drug they are currently taking will interact with a new drug being filled at that time.

The computer is also capable of offering patients a consultation sheet with additional information about their medications. This may include special storage directions or other specific information concerning when and how to take the medication.

Sheldon Pelovitz, R.Ph., director of Pharmacy Computer Services, said that a serious drug interaction will occur in 1 out of 3 prescriptions filled.

The computer is also capable of giving information concerning generic substitution. This is especially important because Giant operates pharmacies in several states. The computer is preprogrammed with substitution information from each of these states, which will avoid filling a prescription with a generic permitted in one state that may not be allowed in another. The computer will also suggest the least expensive substitute from a supplier recognized by the state in which the pharmacy is located.

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An initial lesson in deciphering Government regulations

PRAC, MAC, EAC, MiniMAC and PRBs read like some sort of new alphabet soup to most people, but to practicing pharmacists these acronyms have come to symbolize just about everything that is wrong with the profession of pharmacy.

In reality the letters signify various aspects of regulations that were established over the years to set reimbursement limits on prescription drugs provided under Medicaid.

Another major problem which has more significant ramifications centers on the dictatorial methods employed by some public and private third-party prescription plan intermediaries. For example, many of these "intermediaries" routinely make unilateral changes in provisions which then directly affect the providers of pharmaceutical services.

But that's another story.

The issues swirling around the Maximum Allowable Cost program trace directly to some overzealous administrators at the Health Care Financing Administration (part of Health and Human Services) who seem intent on wringing extra savings for public programs when in fact none may exist. This in turn means that pharmacists sometimes have to subsidize scripts for MAC products out of their own pockets. This situation occurs when HCFA establishes a MAC price for a drug, but the drug isn't available to most pharmacies at the price stipulated. It means the pharmacist must refuse to fill a Medicaid patient's script, or fill it with a higher cost drug (more than allowed under MAC limits) and suffer a loss.

Joseph Caputo, RPh
Pharmaceutical Editor

In fact the situation deteriorated to such an extent that a two-day public hearing was recently held in Washington and the hearing was chaired by a representative from HHS.

Testimony was submitted by virtually every faction of pharmacy and comments about the program were generally quite negative—pretty much as everyone expected.

Areas identified as major trouble spots are:

- Inadequate dispensing fees.
- Inadequate product availability at MAC price levels.
- "Lower of" regulations with, at times, product losses.
- Unfair proposed copayment provisions.
- Required maintenance of dual inventories.
- Slow payments for services rendered.

But these problems represent just the tip of the iceberg. Many private third-party programs follow on the heels of any government program restriction which seems to produce savings.

The question most pharmacists are now asking themselves is "Will all the testimony submitted in Washington produce any tangible benefits for practitioners?"

Being optimists, some pharmacists noted an indirect benefit the profession may receive in the process: Pharmacy's often bickering factions have actually focused on an issue that has significant economic impact.

Who knows, in the future the profession may once again wrench control of its own destiny from the tight grasp of third-party insurance programs . . . but don't bet on it.

PHARMACY

Generics capture larger share of diuretic market in 1983

		% Share of Rxs		Average quantity per Rx		Average $ per Rx		% Retail margin	
Drug description	Mfgr.	7/82	7/83	7/82	7/83	7/82	7/83	7/82	7/83
Dyazide Cap	SKF	27.5	27.7	60	59	$ 9.83	$10.95	29.1	24.0
Lasix 40mg	Hoechst	15.9	13.6	50	50	8.31	8.73	35.6	32.0
Hydrochlorothiazide	Generic*	9.4	10.4	69	72	4.45	4.43	72.4	74.0
Lasix 20mg	Hoechst	5.2	4.8	44	45	6.53	6.88	47.2	44.0
Hydrodiuril 50mg	MSD	5.5	4.4	58	57	6.80	7.05	37.7	38.0
Furosemide 40mg	Generic*	1.4	3.2	55	47	8.18	7.04	42.8	46.0
Hygroton 50mg	USV	4.3	3.1	49	48	11.26	11.91	27.8	26.0
Aldactazide 25mg	Searle	3.8	2.8	63	61	15.56	16.71	19.3	19.0
Moduretic 5/50	MSD	1.4	2.8	45	46	13.16	14.09	29.5	27.0
Hydrochlorothiazide 50mg	Rugby	—	2.7	—	65	—	3.79	—	81.0
Hydrochlorothiazide 25mg	Generic*	2.1	2.6	53	58	4.00	3.99	73.0	73.0
Enduron 5mg	Abbott	2.7	2.1	53	52	10.43	11.01	30.2	30.0
Hygroton 25mg	USV	1.7	1.6	49	47	10.20	10.53	33.8	33.0
Diuril 500mg	MSD	1.8	1.6	58	57	7.12	7.41	40.9	39.0
Hydrochlorothiazide 50mg	United Research Lab	—	1.5	—	73	—	3.61	—	85.0
Esidrex 50mg	Ciba	1.7	1.4	56	52	7.49	7.50	42.7	40.0
Hydrochlorothiazide 50mg	Geneva	—	1.3	—	60	—	3.70	—	80.0
Hydrochlorothiazide 50mg	Lederle	—	1.3	—	55	—	4.19	—	70.0
Spironolactone and Hydrochlorothiazide	Generic*	—	1.3	—	62	—	11.06	—	46.0
Hydrodiuril 25mg	MSD	1.6	1.2	58	57	5.44	5.70	50.8	50.0
Aldactone 25mg	Searle	1.5	1.2	77	75	18.34	19.54	20.4	19.0
Lasix 80mg	Hoechst	1.1	1.1	52	52	13.28	14.21	28.0	28.0
Hydrochlorothiazide 50mg	PD	—	1.0	—	65	—	4.17	—	59.0
Furosemide 20mg	Generic*	—	1.0	—	39	—	5.49	—	58.0
Chlorthalidone 50mg	Generic*	—	1.0	—	47	—	8.47	—	40.0
Top 25		92.4	96.7	57	57	8.90	8.84	34.0	34.3
Other		7.6	6.3	44	57	9.42	16.15	33.5	27.9
Total		100.0	100.0	56	56	8.94	9.32	34.0	33.0

*These include all scripts dispensed with other than nationally promoted brands.
Margins are based on AWP prices

Source: Decision Data

Generic diuretics on the rise

Continued from page 17

for a drug dispensed through a pharmacy at that time.

The entire price gain traced to the branded segment of this market, while at the same time consumer prices in the generic segment declined slightly.

Although consumer script prices increased overall, the amount of medication dispensed per script remained unchanged, or, as in the case of selected products, price trended slightly upward. "Patients are receiving less medication per script," noted a chain pharmacist, "but volume hasn't been affected because a greater percentage of all diuretic scripts are being refilled compared to previous periods."

A decline in retailer per cent margins for the diuretic category was also revealed by this analysis. Here again the average margin decline traced to branded products. Retailers' margins for generic diuretics either increased slightly or remained unchanged from the previous period.

Pharmacies also received a lower dollar gross margin per tablet dispensed for branded items vis-a-vis their generic counterparts. Generic versions of furosemide, chlorthalidone and aldactone with hydrochlorothiazide all offered retailers higher returns than branded versions of the same drug.

Continued growth of generic pharmaceuticals—as evidenced by findings in this report—should quiet consumer advocates' concerns that drug store patients aren't receiving lower priced generics.

Rx computer newsletter is launched

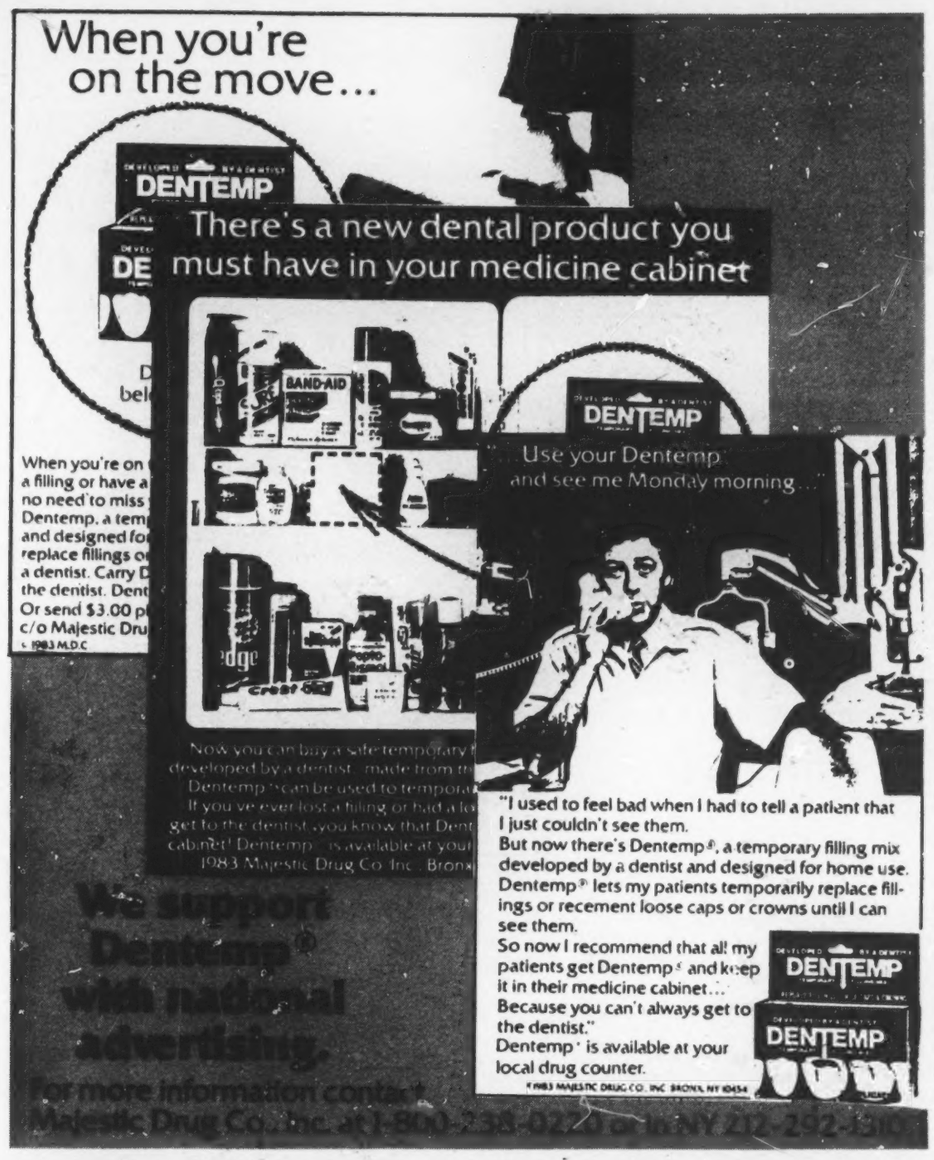
TWINSBURG, Ohio—A Revco subsidiary has developed a computer newsletter for pharmacists and a schedule of meetings to discuss pharmacy computers.

The Revco subsidiary, General Computer Corp., is a major developer of retail pharmacy systems.

Richard Pilarczyk, General Computer's president, said future meetings will provide an opportunity for participants to share information about their computer experiences, hear news of software enhancements and take part in roundtable discussions on future developments.

Named "SIG," the newsletter is designed to provide a new two-way information channel between users and the computer professionals, noted Pilarczyk.

Information about the users' group and the newsletter are available for General Computer Corp., 2045 Midway Drive, Twinsburg, Ohio 44087.


When you're on the move...
DENTEMP
There's a new dental product you must have in your medicine cabinet
BAND-AID
DENTEMP
Use your Dentemp and see me Monday morning...
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But now there's Dentemp®, a temporary filling mix developed by a dentist and designed for home use. Dentemp® lets my patients temporarily replace fillings or recement loose caps or crowns until I can see them.
So now I recommend that all my patients get Dentemp® and keep it in their medicine cabinet...
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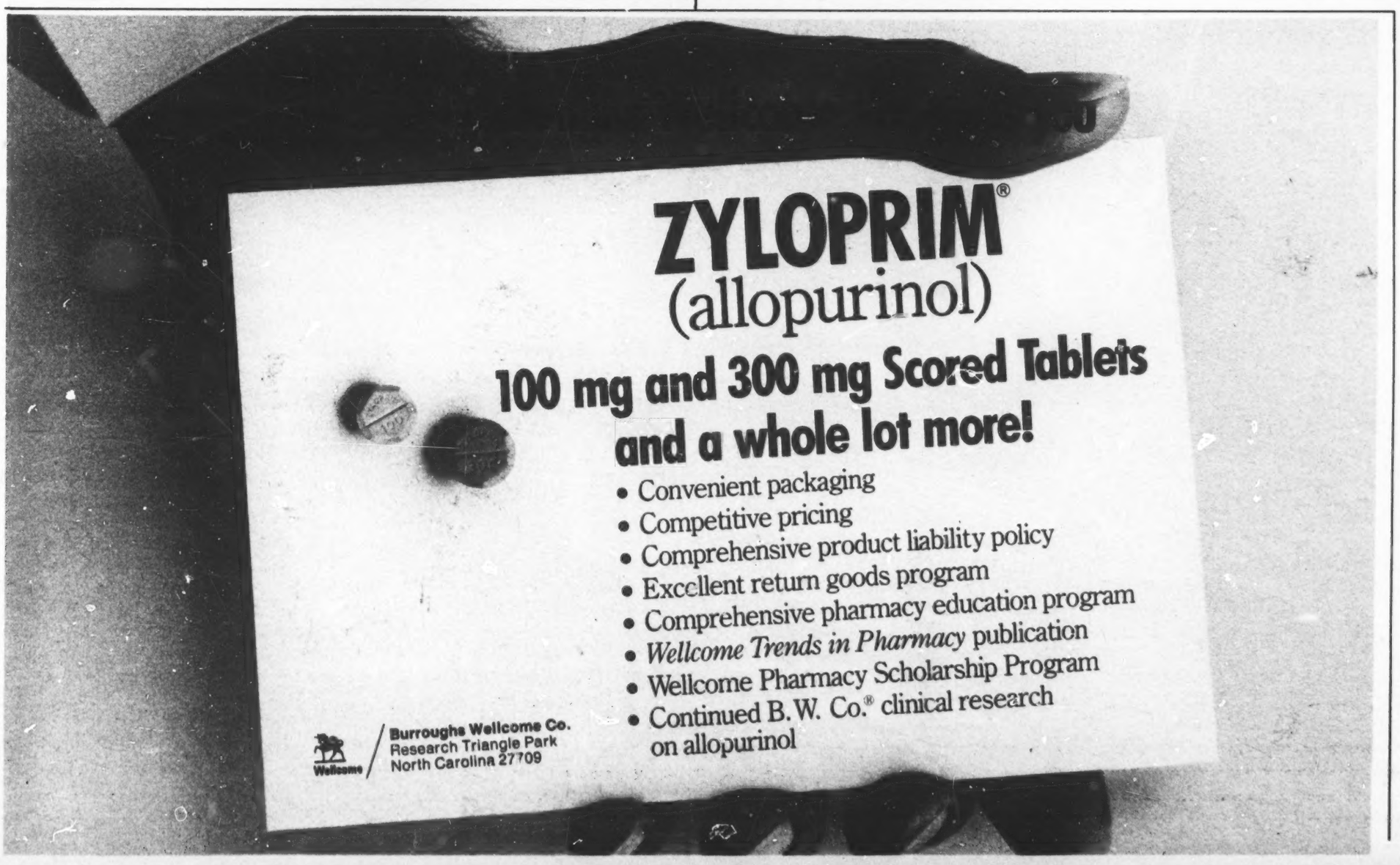
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DRUG STORE NEWS

THIRD ANNUAL CONSUMER STUDY

Impulse spending: The reins loosen

By Bruce Buckley

With the economy again on a roll, drug store consumers are apparently loosening the purse strings and making more on-the-spot buying decisions they might have postponed last year when times were tougher.

This is perhaps the major finding of *Drug Stores News'* Third Annual Consumer Study, which is based on a detailed, nationally projectable survey of 750 drug store shoppers across the country.

The telephone survey, conducted late this summer by Lebhar-Friedman Research, shows that drug store shoppers this year are spending more per shopping trip and tending to make a greater number of buying decisions on impulse.

In addition, L-F researchers found that drug store shoppers continue to be sensitive to all types of advertising, but newspapers remain the medium that produces the best results. The study also turned up relatively strong consumer sensitivity to in-store signing and checkout displays of high-impulse items.

On the other hand, shopping frequency has not increased in drug stores, according to the survey. It now averages a shade over three times a month, compared to between three and four trips in 1982 and the same number the previous year.

What's more, the factors that prompt the typical drug store shopper to choose a favorite outlet have not changed appreciably in the three years that *Drug Store News* has been examining consumer attitudes.

The top-rated characteristics are still merchandise quality; trust in pharmacist; clean, attractive environment, and high in-stock conditions. Each of those factors was rated extremely or very important by at least 4 out of every 5 respondents.

But the survey did uncover several significant differences in the way men and women rate these factors. Store environment, sales assistance and pricing were all judged significantly more important by women.

According to the survey, the traditional drug store product categories continue to draw shoppers with approximately the same magnetism that they have over the past three years. The strongest of these categories are prescriptions, OTC medications, sports medicine, toiletries, vitamins, cosmetics, skin care and photo.

In preparing the questionnaire for the survey, *Drug Store News* made one key change in order to develop the profile of the typical drug store shopper. Rather than seek out heads of household, the L-F researchers asked for the primary drug store shopper in each household. The effect was to change the proportion of respondents from approximately 50% men and 50% women to one that is preponderantly female.

The change has resulted in a more accurate profile of the typical primary drug store shopper: a married women just over 40 whose household consists of approximately three people and whose annual family income is just under $25,000.

For the second year in a row, there was an increase in the median amount spent by drug store consumers on their most recent shopping trip. The 1981 survey found that the typical transaction was $10.13. The following year the figure rose to $12.82. This year it's $13.02.

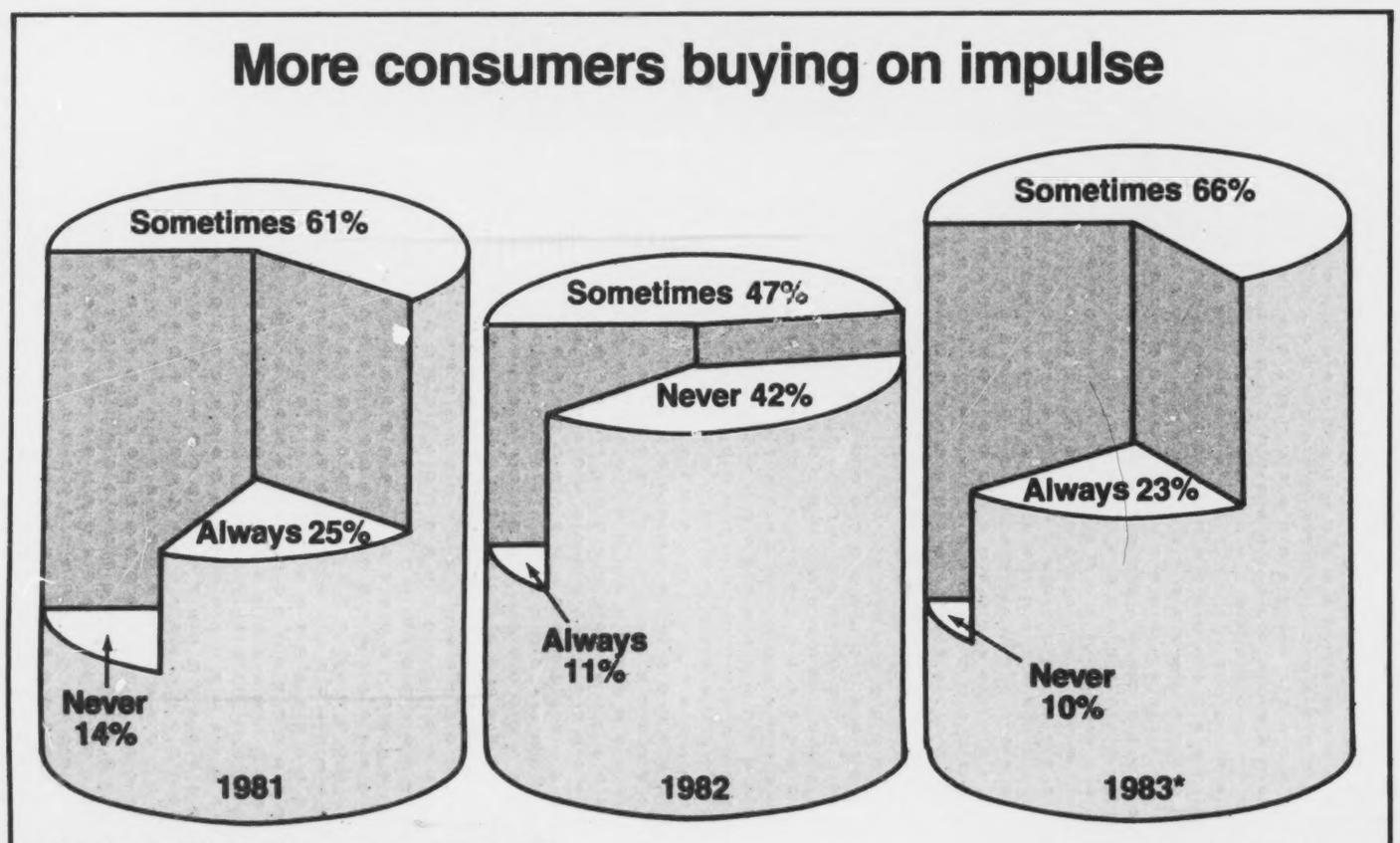
Sales up

The proportion of over-$10 transactions has also steadily risen over the years. In a 1975 A. C. Nielsen report published in *Chain Store Age*, *Drug Store News'* predecessor, the proportion of over-$10 transactions was pegged at 31%. This year it is 60%. Perhaps more significantly, more than a quarter of this year's respondents said they spent more than $20 on their most recent drug store trip.

The survey seemed to indicate that the increases in the amount spent per shopping trip was partly the result of higher prescription prices. This year, shoppers reported that an average of 47% of that amount was for prescriptions. Not surprisingly, the average percentage spent on prescriptions was much higher for frequent independent store consumers than the ones who shop chain stores more often—58% vs. 38%.

In addition, the average percentage was also sharply higher for shoppers over 50—60%—and for those whose

Continued on page 28



Three generations have shopped here because it offers what we want, has good prices and is close to home.

Inside Consumer Study

51 • OTC remedies
52 • Vitamins, home health care, sports medicine
53 • Pharmacy
56 • Photo, film processing
57 • Appliances, housewares
59 • Cosmetics, skin care toiletries
60 • Baby needs, toys/games
62 • Sunglasses, clocks/watches
67 • Food/beverages
69 • Tobacco, candy
70 • Books, stationery

THIRD ANNUAL CONSUMER STUDY

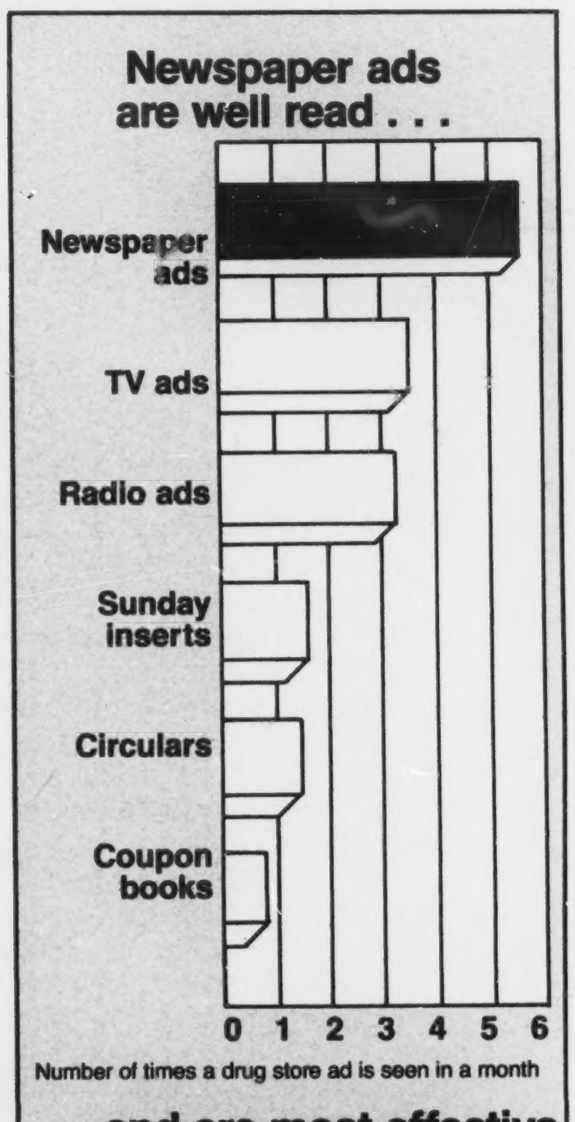
I buy greeting cards and gift items at the drug store, as well as beauty aids—selection and prices are better than at the supermarket. I buy paper goods and household items at a discount store because they are priced less. I buy most medication, H&BA, and prescriptions and vitamins at a drug store.

Typical drug store consumer tab rises

Continued from page 27

families include a member on a medication maintenance schedule—58%.

Consumers were also asked to compare the percentage spent on prescriptions on their last shopping trip to the percentage usually spent. Whether their primary drug store was an independent or chain outlet, about two-thirds said the percentage was the same.


Newspaper ads are well read . . .
Newspaper ads
TV ads
Radio ads
Sunday inserts
Circulars
Coupon books
0 1 2 3 4 5 6
Number of times a drug store ad is seen in a month
. . . and are most effective in generating sales
Newspaper ads
TV ads
Radio ads
Sunday inserts
Circulars
Coupon books
0 0.5 1.5 2 2.5
Number of purchased items resulting from last four consumer exposures
Source: Lebhar-Friedman Research

Drug store shoppers get more impulsive

The survey results also contained several strong indications that shoppers have become more free-wheeling in their shopping habits this year as consumer fears have slackened. These were evident in the number of shoppers who said they always or sometimes depart from prepared shopping lists when they visit a drug store, as well as in the number who reported responding to in-store signing and promotions and high-impulse items at the checkout counter.

In last year's study, *Drug Store News* found that the stagnant economy had exacted a toll on impulse buying. There was a sharp increase in the proportion of shoppers who said they never bought on impulse—42% vs. 14% in the previous year.

Although the question was phrased differently this year, the results showed that impulse buying was on the rise. Thirty-one per cent of the respondents reported that they didn't prepare shopping lists—either mentally or in written form—before visiting a drug store. The failure to prepare lists carries the strong implication of a shopper who habitually shops on impulse.

Moreover, among those who do prepare mental or written lists, 90% reported that they always or sometimes buy items not on the list. As might be expected, the incidence of impulse buying was higher among frequent shoppers (five or more trips a month) and among high-income shoppers ($25,000+ a year).

What stimuli do shoppers respond to when it comes to impulse buying? L-F researchers read three statements to the interviewees and asked them to express various levels of agreement or disagreement.

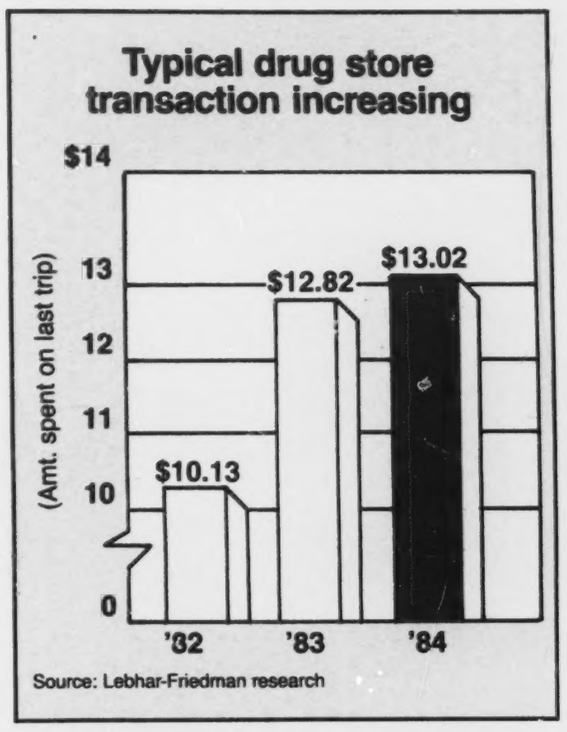
On the first statement, designed to find out if shoppers look for in-store signs and special promotions to guide them to "good buys," 3 out of 4 responded affirmatively.

More than half also said they often will pick up items such as razor blades, lighters or batteries that they had not anticipated buying but realized as a need when they saw the items displayed at the checkout counter.

The cluttered look that an abundance of signs and special displays often creates did not seem to disturb most shoppers. Only 37% said signs and special displays clutter a store and make shopping confusing.

How study was conducted

- **A total of 750 telephone interviews were conducted among consumers throughout the country.**
- **Respondents were selected from a national probability sample, which meant that the probability of selection was directly related to the population density of the geographic area in which each consumer was located.**
- **A qualified respondent was the primary drug store shopper (defined as being responsible for 3 out of every 4 drug store shopping trips) in each household, and one who had shopped at a drug store within the past six months.**
- **All interviewing was conducted locally between Sept. 1 and Sept. 19, 1983, via WATS lines by professional interviewers under the direct supervisision of Lebhar-Friedman Research staff.**



Newspaper ads get the heaviest results

For drug stores, newspapers continue to be the most effective advertising medium, largely because there are more newspaper ads and they therefore create a greater number of impressions. The survey found that drug store shoppers recalled seeing an average of 5.7 newspaper ads in the month leading up to the interview.

For grabbing the consumer's attention, the next nearest competitors were television and radio. Shoppers reported seeing an average of 3.4 TV ads and hearing 3.2 radio ads in the month preceding the survey.

While newspapers registered more impressions, they turned out to be just about even with television and radio in prompting consumer purchases.

Shoppers were asked to recall how many times they purchased an advertised item out of the last four times they had seen an ad in each of six types of advertising media. Newspapers ranked

Continued on page 49

I like to shop here because it has everything you need. I don't have to travel around to different stores to purchase my items.

I like to shop in a store that has a clean appearance and the employees are courteous.

I'm on Social Security and prices are important to me. I find that hardware items are cheaper in a drug store than in a grocery store. I buy electrical supplies and kitchenware in a drug store, along with paper and housewares.

THIRD ANNUAL CONSUMER STUDY

In-store signs encourage impulse buys

(Continued from page 28)

highest, with an average of two reported purchases. But television (1.7 purchased items) and radio (also 1.7) were not far behind.

Although Sunday 4-color inserts, mailed circulars and coupon books were slightly more efficient than radio or television in delivering purchases per exposure, they lagged behind the two electronic media in the number of impressions created, and far behind newspaper ads.

Consumers reported seeing an average of 1.6 Sunday 4-color inserts for a drug store in the past month, receiving 1.5 circulars and slightly less than one coupon book.

But exposure to the four most recently recalled Sunday inserts resulted in 1.9 purchased items. Circulars (1.8 purchased items) and coupon books (1.7 items) were close behind.

The survey also disclosed a slight downward trend in the number of advertising impressions on consumers in the three leading media. In the 1981 study, shoppers said they had seen an average of 6.5 drug store newspaper ads in the month leading up to the interview. The number dropped to 5.9 last year and is 5.7 today. For television, the number of impressions has dropped from 4 in 1981, to 3.8 last year to 3.4 today. For radio, the decline has been from 3.9 to 3.5 to 3.2.

On the other hand, the number of purchased items per four exposures has been on the rise.

Drug stores highly rated by consumers

If the study reveals anything about consumer attitudes, it is that the typical drug store shopper is satisfied with her regular store. In fact, more than half of the respondents who shop at one store regularly (58%) could find nothing wrong with it. The level of satisfaction was particularly strong among older consumers, 72% of whom had nothing negative to say.

There were some gripes, however. And in at least two areas there were more complaints from shoppers who regularly shop a chain store than from their independent store counterparts.

Twenty-four per cent of the shoppers who regularly shop a chain drug store said they did not appreciate the slow checkout service they sometimes experience, compared to only 10% of the shoppers who regularly shop at an independent. And 13% of the chain drug store regulars expressed dissatisfaction with inexperienced store clerks and clerks who aren't knowledgeable. Only 5% of the independent store regulars had this complaint.

But the leading irritation was that there is sometimes not enough sale merchandise to handle the demand. Just under 1 out of 5 consumers expressed this complaint. Cluttered aisles were another headache mentioned by 12% of the consumers.

Only a relatively few consumers complained about poor merchandise selection (5%), rude sales personnel (4%) and unkempt stores (2%).

Pharmacists are drug stores' edge

In the competitive struggle among drug stores, supermarkets and discount stores, drug stores have at least one potent weapon—the pharmacist.

Primary shoppers of drug stores, supermarkets and discount stores were asked to rate those types of retail outlets on 10 selected characteristics. On "trustworthy pharmacist," three quarters of the primary shoppers rated drug stores excellent or very good. In contrast, discount stores and supermarkets received high marks from only 30% of the consumers.

On most of the other characteristics on the list, drug stores scored well, and so did supermarkets. For example, on "in store environment and general cleanliness," drug stores received an excellent/very good rating from 69% of the primary shoppers, and supermarkets from 66% of the supermarket primary shoppers. Discount stores, on the other hand, got high marks from 46% of the sample who were primary discount shoppers.

In addition, both drug stores (64%) and supermarkets (59%) scored better than discount stores (40%) on "quality of merchandise carried."

On five other characteristics, drug stores were rated excellent/very good from at least 1 out of every 2 consumers: "accessibility to home/work" (62%), "fast and efficient checkout" (57%), "variety of brands" (55%), "sales assistance" (54%) and "sale merchandise always in stock" (49%).

On those same characteristics, supermarkets also got generally good marks: "accessibility to home/work" (61%), "fast and efficient checkout" (49%), "variety of brands" (58%), "sales assistance" (46%) and "sale merchandise always in stock" (50%).

The consumer report card for discount stores, in contrast, was generally less favorable: "quality of merchandise carried" (40%), "accessibility to home/work" (39%), "fast and efficient checkout" (32%), "variety of brands" (43%), "sales assistance" (27%) and "sale merchandise always in stock" (37%).

Only on "sale prices" did supermarkets and discount stores outshine drug stores. The tally: supermarkets (48%), discount stores (47%) and drug stores (39%).

On everyday prices, none of the three types of retail outlets fared particularly well: supermarkets (44%); discount stores (42%), and drug stores, in their lowest rating, (37%).

To compare those ratings with the factors that consumers consider important when shopping for drug store merchandise (prescriptions, OTC medications and health and beauty aids), researchers asked consumers to rank those characteristics on a scale from "extremely important" to "not at all important."

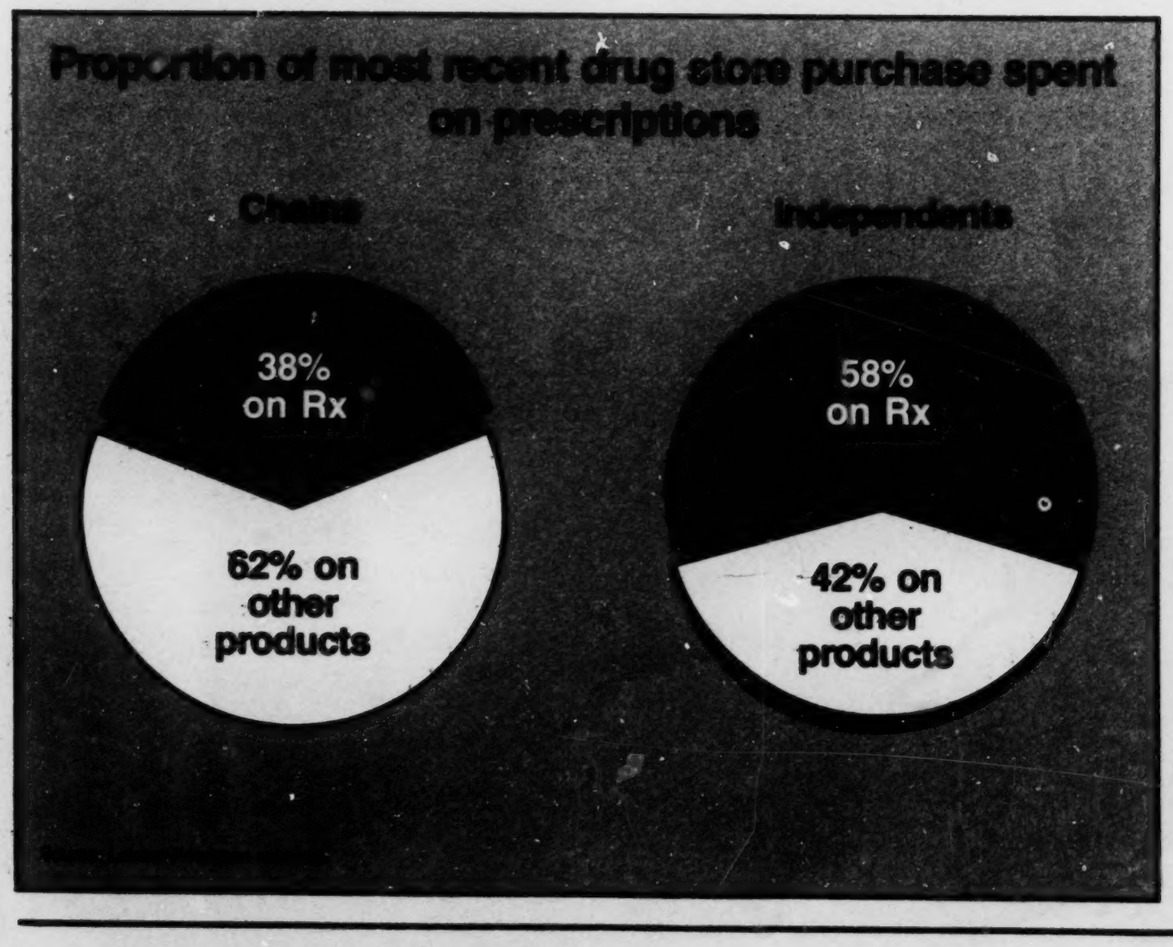
The most important factors for consumers were quality of merchandise and trust in pharmacist. They were ranked as extremely or very important by almost 9 out of every 10 respondents. Of the remaining eight characteristics, seven were judged extremely/very important by at least 2 out of every 3 consumers.

The least important on the list was sales assistance, which was given an extremely/very important rating by 59% of the consumers.

In comparing the attitudes of consumers who primarily shop chain drug stores and those who frequent independents, only one difference stood out. Reasonable, everyday prices were judged more important by chain drug shoppers than by independent store consumers.

But a comparison of men and women and women shoppers uncovered four differences in attitude—an important consideration for retailers because female primary drug store shoppers outnumber males by 5 to 1.

Rated significantly more important by women were "store environment and general cleanliness," "reasonable everyday prices," "good sale prices" and "sales assistance."



'Core' categories draw the shoppers

What types of outlets do consumers choose when shopping for products in various categories? To find out, researchers read them a list of categories and asked them two questions: Where did you make your last purchase and where have you ever made a purchase?

On the question "Where did you make your last purchase?" drug stores scored with at least 1 out of every 2 consumers on five categories: prescriptions, OTC medications, sports medicine, vitamins

(Continued on page 51)

BEST COPY AVAILABLE

I come to this store because it is around the corner from my office. Today, I bought some shampoo and toothpaste here because it is the nearest place I can get them.

THIRD ANNUAL CONSUMER STUDY

Shoppers trust drug store Rxmen most

Continued from page 49

and film flash cubes. Prescriptions with 92% and OTC with 80% received the highest scores.

Other strong categories for drug stores: cosmetics (46%), film processing (43%) and toiletries (40%).

On the question, "Have you ever purchased a particular product?" drug stores were selected by virtually the entire sample on prescriptions. Drug stores were chosen by at least 4 out of every 5 consumers on six other categores: OTC, toiletries, sports medicine, vitamins, skin care and film/flash cubes/batteries.

On seven other categories, drug stores were mentioned by at least 1 out of every 2 consumers: candy/gum, cosmetics, books/magazines, film processing, stationery, baby needs and sunglasses, in that order.

In a comparison of chain drug shoppers with those who primarily shop independent stores, chains were mentioned by a significantly higher percentage than independents on 21 out of 33 categories. The most important were toiletries, skin care, film/flash/batteries, candy/gum, cosmetics, books/magazines, film processing, stationery and baby needs.

On the remaining 11 categories, chain and independent store differences were insignificant, except for jewelry, for which independents were ranked higher.

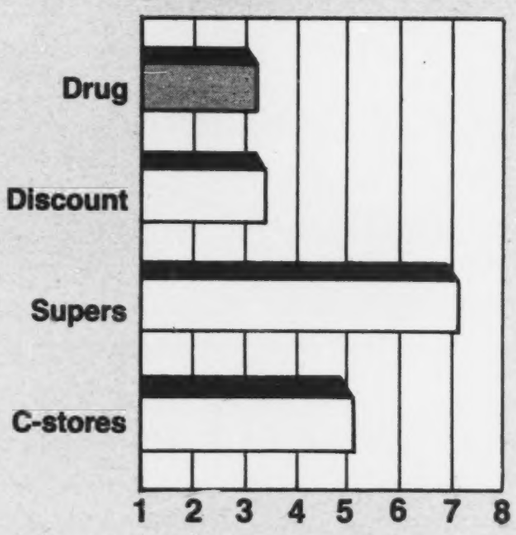
On the key drug store categories, supermarkets emerged on top of drug stores only on books/magazines and tobacco. On toiletries, they came close—selected by 1 out of 3 consumers.

* * *

Other survey findings included the following:

- Distance to regular drug store: 56% of the respondents travel more than a mile.
- Shopping frequency: drug stores (3.1 times a month), supermarkets (7.1 times), convenience stores (5.2 times) and discount stores (3.3 times).
- Leading shopping day for drug stores: none (44%), Saturday (15%), Friday (12%) and Wednesday (10%).

How many times a month consumers shop at selected store types



Source: Lebhar-Friedman research

Drug stores still dominate in home remedies

As the price of physician office visits skyrockets and more products are shifted from prescription to OTC status, self-medication is becoming a more viable alternative for consumers.

Drug stores, with their recognized supremacy in the distribution of OTC products, are in the prime position to capitalize on this long-term trend.

Of the primary drug store shoppers surveyed by *Drug Store News*, 98% said they use OTC medications. And among these users, the drug store ranks as No. 1 supplier. Approximately 80% of all interviewees said they last purchased an OTC medication at a drug outlet. Supermarkets, with a 10% share and discount stores with 6% rank a distant second and third.

But a big percentage of the primary drug store shoppers surveyed are also the primary supermarket and discount store shoppers in the households. As a result, these outlets could be primed for a significant entry into a market traditionally dominated by drug stores. According to the survey, chains outperformed independents in attracting users of OTC medications. Among those consumers who said they last purchased an OTC medication in a drug store, 53% bought the product in a chain outlet and 47% in an independent store.

Enrollment in third-party reimbursement plans has grown over the years, but most third-party plans don't reimburse enrollees for OTC medications. A majority of survey respondents (55%) said family members were not enrolled in a third-party plan.

As with most other drug store categories, female respondents comprise the greatest number of OTC medication purchasers. In the total survey, sample women outnumbered men 5 to 1.

The survey also revealed that there are differences in usage among age groups. In absolute terms, however, those under 35 and those 50 and over represent the greatest number of drug store shoppers by age.

Drug stores also play the key role in OTC sales across the United States, but especially in New England, mid-Atlantic and South Atlantic states. Even though OTC medications are acquired at drug stores more than all other outlets, in the West supermarkets are also making their presence felt with a 15% share—compared to a national average of only 10%.

Slightly more than half (52%) of all OTC medication users that last purchased medication in a drug store shopped two or less times a month, and ⅓ shopped three-four times a month. Only 15% of the drug shoppers said they shopped five or more times a month and purchased OTC medications. Drug stores did well among this small group of frequent shoppers by capturing 83% of those who shop five more times a month for their OTC medications compared to 76% of those who shop two or less times a month.

Where customers last purchased OTC drugs

Source: Lebhar-Friedman research

THIRD ANNUAL CONSUMER STUDY

I came in here because the chain advertised this stock table at a low price. The merchandise selection and the prices are good here.

Vitamin buyers prefer drug stores hands down

Special reducing diets, nutrient killing medications, free-wheeling lifestyles (heavy smoking and drinking), and skipped meals can all contribute to vitamin deficiences.

Consumers are beginning to recognize these facts and have taken steps necessary to correct their nutritional shortfalls. Of all primary drug store shoppers surveyed by *Drug Store News*, 92% said they have at some time taken supplemental vitamins.

Drug stores rated very high as an outlet where consumers purchase these nutritional products. In fact they were the No. 1 outlet where most shoppers said they last purchased their vitamins. Virtually 71% of all vitamin users interviewed said they made their most recent vitamin purchase at a drug outlet. And 82% claimed this outlet as the only place where they *ever* purchased vitamins—indicating a high consumer loyalty to drug outlets.

Statistically, chains ranked higher than independents in terms of the proportion of shoppers that stated where they shopped for their latest vitamin purchase. Fifty-five per cent of the sample said they last bought vitamins in a chain drug store, while 45% mentioned independents

Discount stores and supermarkets placed a distant second and third as noted by their 11% and 9% market shares among vitamin users. Health food stores captured 4% and department stores netted only 2%

Drug stores' strength as the primary distribution point for vitamin products is further illustrated in that most drug store shoppers also characterized themselves as primary shoppers of supermarkets, convenience stores and discount centers.

In absolute numbers, females represent the largest single group of shoppers that purchase vitamins in drug outlets. This group registered a proportion of 5 to 1 compared to their male counterparts. The proportion, however, reflects the sample's composition. When *percentages* of vitamin shoppers are used as a yardstick of measure, males are just as likely to purchase vitamins as females in drug stores.

All age groups analyzed—under 35, 35-49, and 50 and over—purchased vitamins in drug stores about equally. Approximately ⅔ of all respondents said drug stores represent the outlet where vitamins were last purchased. In absolute terms, however, the largest single age group of vitamin shoppers are those under age 35.

In terms of marital status, singles represent a disproportionately large percentage of vitamin shoppers, but their numbers are small relative to other groups. Indeed, 3 of every 4 (72%) singles who are vitamin users last purchased vitamins in a drug store.

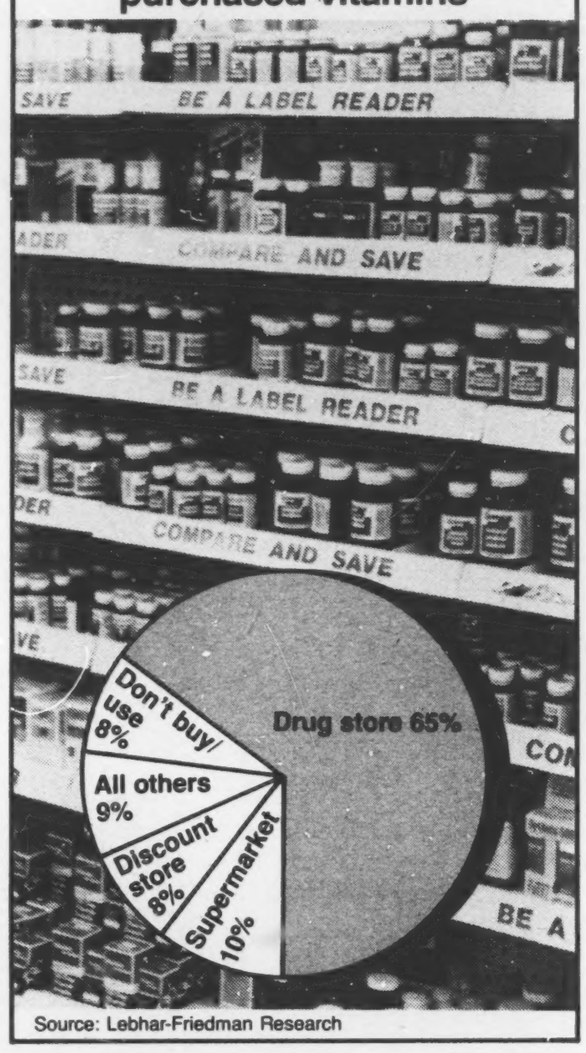
Interestingly, those spending the most on their last shopping trip ($21 or more), purchased vitamins in proportionally higher percentages than those spending $10 less on their last trip to the drug store.

The survey revealed few differences in terms of regions of the country and household location. For example, drug stores captured approximately 2 out of 3 of all rural, urban, or suburban based shoppers. And drug outlets are the primary source of vitamins across all regions of the country—especially the South Atlantic region.

On the other hand, supermarkets chalked up above average shares in New England (19%) and in the Western region (16%).

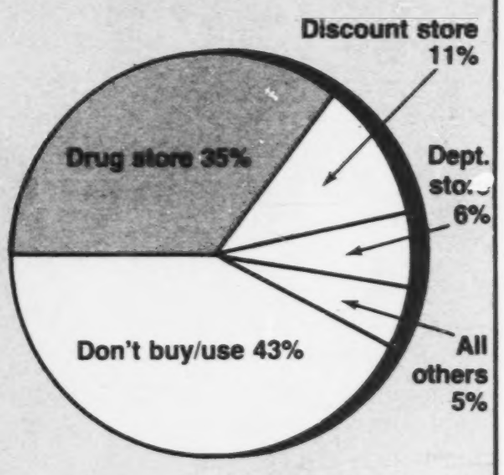
Approximately half of all vitamin users that last purchased vitamins in drug stores typically shopped two or less times per month, a reflection of the sample.

Where customers last purchased vitamins



Source: Lebhar-Friedman Research

Where customers last purchased home health care items



Source: Lebhar-Friedman research

Nondrug retailers infringing on health mkt.

Results of *Drug Store News*' third annual consumer survey confirm what many drug store retailers have already realized about the rapidly growing home/self health care market.

The survey showed that nondrug retailers, including supermarket, discount and department stores, accounted for a hefty 35% of the most recent purchases of home/self care items (such as blood pressure monitoring kits, digital weight scales and electronic thermometers) by respondents, who use these products.

Drug stores, the survey showed, still capture the lion's share of all home/self care sales, with 61% of the user respondents saying their last purchase of such an item was made in a drug store. Four out of every 10 persons surveyed (42.5%) said they had never purchased or used a home/self care product, such as those listed above.

Forty per cent of the primary drug store shoppers who said they had made their last purchase of a home/self care product in a drug store, were under the age of 35. Two factors may explain why. First, younger consumers, typically more concerned about health, fitness and personal appearance, typically have greater disposable incomes than their senior counterparts. Secondly, home health care items are often purchased by a younger son, daughter or other relative for an ill or nonambulatory parent or relative.

Thirty-three per cent of the respondents who said they had made their last purchase of a home/self care product in a drug store were aged 50 and over; 26% were aged 35 to 49.

By a slight margin (53% vs. 44%), survey respondents who made their last purchase of a home/self care product in a drug store did so in a chain drug store, rather than an independent drug store.

Health care items that are specifically sports related, such as exercise equipment or other athletic equipment are not typically bought by consumers in drug stores, the survey showed.

The survey showed no significant geographical patterns in terms of the need for or purchases of home/self care products.

The drug stores' stake in the rapidly expanding home health/self care market cannot be underestimated.

According to the Bennett Group, a Washington-based consulting and planning organization specializing in the home health care field, the product segment of the home/self care market topped $1.8 billion in sales in 1981. By 1985, the product segment of the market (excluding professional services) is expected to exceed $3.3 billion in annual sales. Products and services combined are expected to generate sales of $9.1 billion annually by 1985.

While incontinence and urological products are expected to continue to dominate the home/self care market in the next decade, other categories are expected to pick up a greater share.

By 1985, major growth categories and their annual projected sales will include high technology items ($665 million), respiratory equipment ($516 million), durable medical equipment ($319 million), rehabilitation equipment ($510 million) and pressure sore/skin care products ($357 million).

Sports medicine remains a sure winner

Sports medicine products, such as elastic bandages, analgesic rubs and heating pads, are without question a key drug store commodity, according to results of *Drug Store News*' third annual consumer survey.

Two of every three primary drug store shoppers surveyed (71%) said they had made their last purchase of a sports medicine product in a drug store. Other outlets where survey respondents said they made their last purchase of a sports medicine product included supermarkets (11%) and discount stores (11%). Only 6% of the 750 primary drug store shoppers surveyed said they had never bought or used a sports medicine

Nearly three-fourths (73%) of the primary drug store shoppers who said they had made their last purchase of a sports medicine product in a drug store were under 35 or over 50 years of age.

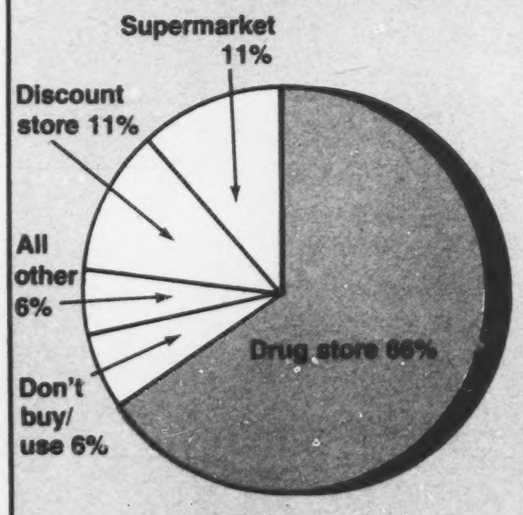
Persons living in households with total annual incomes exceeding $25,000 accounted for the bulk of all survey respondents, and likewise, for the bulk (40%) of the most recent sports medicine purchase in a drug store. By a slight margin (54% vs. 44%), survey respondents indicated they typically purchased sports medicine products in a chain drug store rather than in an independent drug store.

Though typically labeled and merchandised sports medicine products, elastic bandages, analgesics rubs, heating pads and related items are often used by persons who have sustained strains, sprains or other injuries not related to athletic activities. On-the-job injuries, and even home and garden chores, often result in many of the same aches and pains that afflict part-time athletes.

Unless these injuries appear severe, resulting in sharp, enduring pain, persons typically consult their neighborhood pharmacist for advice on what product or products to use for treatment. Rest, ice, compression and elevation (often referred to as the RICE regimen), plus aspirin, is the treatment most often recommended by doctors

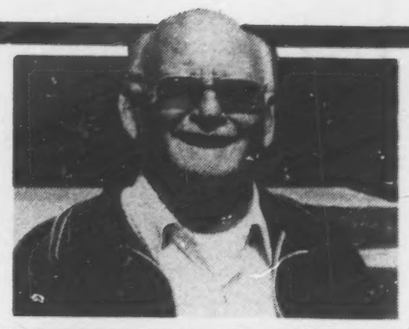
That's why sports medicine departments in drug stores should be stocked with items that not only help prevent injuries from occurring, but also those that aid in the recovery from an injury.

Where customers last purchased sports medicine



Source: Lebhar-Friedman research

I came here because this store offers a senior citizens discount on prescriptions and it has a convenient location. While I'm waiting for my prescription, I walk around and sometimes buy other things. Today, I bought this package of candy.



THIRD ANNUAL CONSUMER STUDY

Faith in Rxmen helps bring back script buyers

Drug Store consumers would rather purchase brand-name drugs than generics when offered the choice, despite the savings.

This is one of the facts that emerged from the Third Annual Consumer Survey conducted by *Drug Store News* and Lebhar-Friedman Research, a survey of the shopping patterns of 750 drug store shoppers nationwide.

The survey revealed that even though 91% of the drug store customers were aware of generics, only one-third of those aware of generics have ever requested them.

It is not surprising that awareness was high. There has been increased publicity surrounding generic drugs because of newly enacted generic substitution and MAC legislation by many states. In addition, many third-party plans are now insisting that generics be substituted for the brand.

An interesting note is that the prescription-buying public is still very brand conscious.

Convenience was the predominant reason for shoppers purchasing prescriptions in outlets other than drug stores.

As expected, over three quarters of those shoppers purchasing their prescriptions in a supermarket said that they did so because they happen to be there doing their normal grocery shopping.

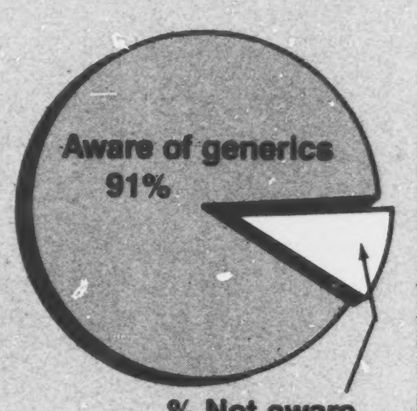
The most surprising results were the reasons given for purchasing prescriptions in a discount store. The study indicated that 62% of the shoppers who last purchased prescriptions in a discount store did so as part of a group of purchases. A possible explanation for this result is the expansion of discounters into new markets making it easier for customers to reach the store.

In the survey, shoppers were asked to rate various types of stores on a list of characteristics. One was the trustworthiness of the store's pharmacist. On that score, drug stores were rated excellent or good by 74% of the consumers.

In contrast primary supermarket shoppers and primary discount shoppers were also asked to rank those types of outlets on the same characteristics. These stores did not fare nearly as well on the trustworthy pharmacist question. Only 30% of the shoppers gave supermarkets and discount stores good marks.

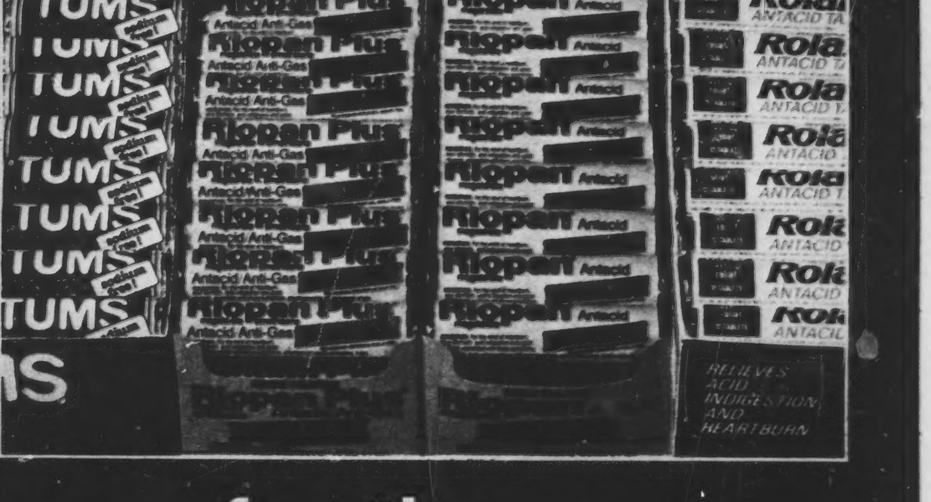
On the other hand, both supermarkets and discount stores were rated much higher than drug stores on sale prices.

Customers awareness of generic drugs



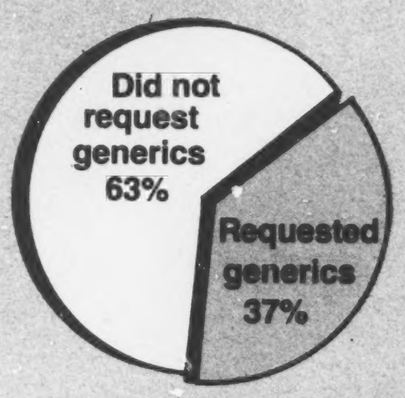
Source: Lebhar-Friedman research

Reasons for buying scripts in other than drug store



Source: Lebhar-Friedman research

Customers aware of generic drugs who have requested them



Source: Lebhar-Friedman research

Make room...
for the
first doctor-
recommended
liquid antacid
in a convenient
tablet rollpack
Riopan Plus
magaldrate simethicone
Antacid/Anti-Gas
12 TABLETS
Largest campaign behind an ethical antacid brand...
Plus, powerful introductory rollpack advertising.
■ National TV—in Prime Time, Daytime, Evening News, and Late Night.
■ Print with coupon—full page 4-color ads, with 30c store coupon, in major consumer magazines throughout the year.
■ Physician promotion and sampling.
RIOPAN and RIOPAN PLUS Tablet Rollpacks are available in both single and 3-roll packages.
Ayerst
AYERST LABORATORIES
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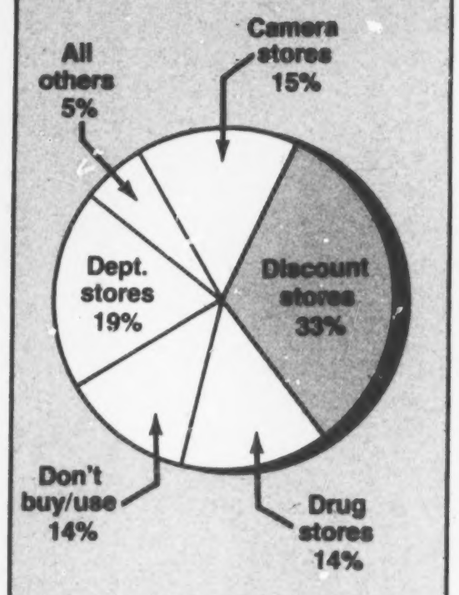
PAZ EN LA TIERRA
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

I live near this store, and it has good competitive prices. My family has always shopped at this chain, and this new store is closest to my home.

THIRD ANNUAL CONSUMER STUDY

Film sales and processing remain strong

Where customers last purchased cameras



Source: Lebhar-Friedman research

While consumers are most likely to buy their cameras in another type of store, they come to drug stores to buy film and have it processed.

In fact, approximately half of those surveyed by the third annual *Drug Store News* consumer survey bought their film and had it processed at drug stores. Drug stores are so popular as film processing centers that the Jack Eckerd Corp. is one of the top 10 film processors in the United States.

Nationally, drug stores were three times more popular than their nearest competitor, discount stores, as a choice for film processing. More than 43% of those surveyed said their last roll of film was processed at a drug store, compared to 14% of those who took their last roll to a discount store and 10% to a processing kiosk.

Drug stores were also the most popular source for film, flash cubes and batteries, with 49% of those surveyed reporting they made their last purchase in a drug store. That was more than double the 24% who made the purchase in a discount store and the 9% who bought the products in a supermarket.

The buying trend for these products indicates that people who buy their film in an outlet bring it back to the same place for processing.

Drug chains have been trying to hold on to their film customers by giving away a roll of film if they bring in a roll for processing.

Other promotions such as giving customers two prints for the price of one also keep customers coming back.

Although the relatively low-priced photography products are most often bought at drug stores, consumers look to other sources when it comes to spending the relatively bigger bucks on cameras.

Drug stores were the fourth most popular choice of camera buyers, with 14% reporting they bought their last camera at a drug store.

That was behind the 33% who picked discount stores, the 19% who bought in department stores and the 16% who bought in camera stores.

However, income was an important factor in determining where consumers bought their cameras, or if they bought a camera at all.

For households with family incomes under $10,000 per year, 21% said they bought their last camera at a drug store. In this category, drug stores were the second choice behind discount stores, where 34% of those surveyed said they bought their last camera.

In the same income category, 22% said they did not use cameras, a percentage far above the national average of 14%.

In the middle income group, with household incomes ranging from $10,000 to $24,000, drug stores were the second most popular outlet at 14%. That was lower than the 21% who bought cameras at department stores and the 34% who bought cameras at discount stores.

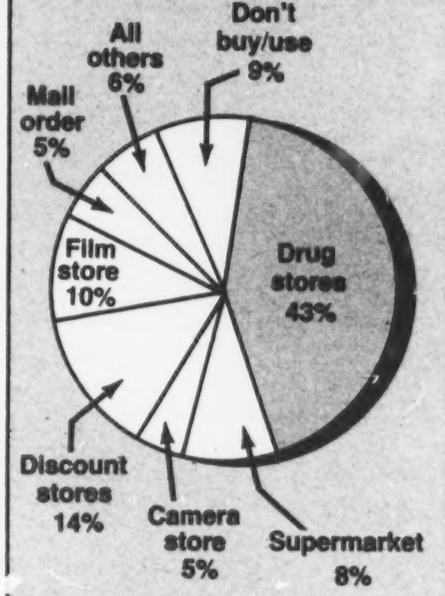
In the higher income group, over $25,000, drug stores were the choice of only 12%, lower than the 35% who last purchased a camera at a discount store, the 23% shopping at camera stores or the 18% who bought at department stores.

This seems to indicate that most drug stores continue to rely on low-priced cameras, which appeal to lower income shutterbugs. Discount stores and department stores are starting to join camera shops as outlets for higher priced 35mm cameras.

However, some drug chains are beginning to carry higher priced cameras, a move that was made possible by the popularity of the Kodak disc cameras. The early disc cameras sold at price points above typical drug store camera prices, opening the door for higher-priced items in drug stores.

In addition, a family of at least three people was more likely to use the products than other groups. This indicates that parents photograph their children often enough to make three-person-and-up households the biggest users of photographic equipment.

Where customers last processed film



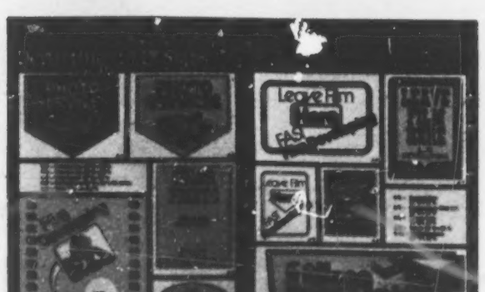
Source: Lehbar-Friedman research

Some interesting numbers for those who think film processing is small change.

Film processing generates over 2.5 billion dollars in retail sales annually.

This figure becomes more impressive when compared to other popular consumer product sales.

Take, for example, men's shaving products (razors, blades and shaving cream).



The Colorcraft Collection: Signage and P.O.P. Catalog

In total dollar sales, photo processing produces three times more retail sales.

Or cleansing and facial tissue sales, photo processing outsells them four to one.

And photo processing surpasses the combined sales of the greeting card industry.

But the numbers are only part of the story. Smart retailers know that photo processing builds traffic. That it doesn't tie-up cash and inventory. Or take up valuable shelf space. **And most importantly, few product categories deliver more positive cash flow.**

A recognized leader in the film processing industry, Colorcraft does business in 32 states, supported by a network of 24 photo processing facilities.

Colorcraft will help select the program best suited to your stores. Train your people. Set up your operation. And Colorcraft's rigorous standards consistently provide the highest quality and the most efficient service in the photofinishing industry.

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THIRD ANNUAL CONSUMER STUDY

I shop at this store because it has generic cigarettes. It is the closest store to my office that carries them. I also buy other things such as gum, occasionally, but I mainly come here for the cigarettes.

Price, convenience account for appliance sales

Frequent store shoppers are more likely to buy curling irons and other small appliances in drug stores.

Almost 20% of those surveyed last bought one of these items at a drug store, which is a significant total considering that drug stores are not usually thought of as an outlet for small appliances. Department stores accounted for 21% of those polled with discounters leading with close to 40%.

The drug store tactic has been to carry the best sku's of hair appliances while also offering a price selection. Therefore, it is common to find a lower-price Windmere coupled with the higher-ticketed Sassoon.

According to the survey, this mix has appealed to younger shoppers (under 35), married and part of a household of three or more. Often, this shopper resides in a rural or suburban area and the drug store is probably the most convenient site.

The drug store's strength does not hold in the case of housewares. Only 7% of the sample noted that they last purchased housewares at a drug store.

Discount stores captured 42% of the last houseware purchases of those polled, followed by department stores with 31%. Supermarkets were mentioned by 10% of those questioned.

Those not buying in a drug store tend to be over 35 and earning better than $25,000 per year. However, out of the total sample of consumers, almost 40% had at least purchased housewares at some time in a drug store.

These efforts have resulted in an 8% sales gain in housewares which is now a $2.1 billion category in chains constituting 7% of total business.

One of the categories within housewares is cookware. Although 40% of those queried last purchased cookware in a department store and 34% at a discount store, drug stores were mentioned by 3% of the sample. Apparently, frequent shoppers become aware of the varied mix in a drug store and will turn to that outlet for many purchases.

Because drug stores do carry selected cookware items and because this merchandise is displayed in impulse areas, shoppers tend to make an impulse cookware purchase.

Another category that has emerged as a hot sales area for drug stores is telephones. Although it has been only a short time that drug retailers have been selling these items, drug stores were mentioned by a small group of the sample.

Again, those who frequent the drug store and realized that telephones are for sale there may purchase one there. The overwhelming source for telephones was the phone company, which sold 28% of the sample their last phones.

Where customers last purchased personal appliances

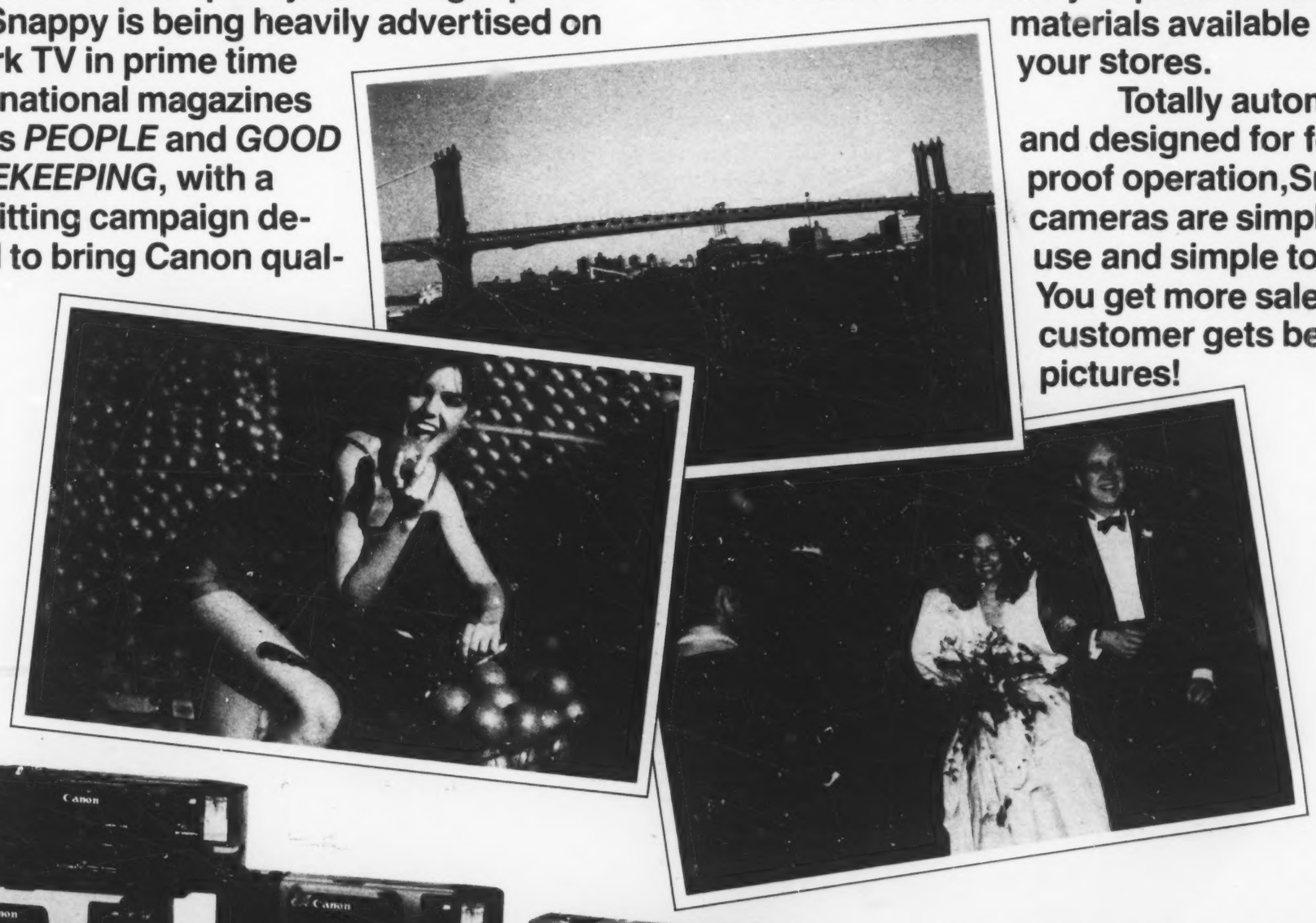
Source: Lebhar-Friedman research

BETTER PICTURES
The Canon Snappy. Quality at the Right Price!

The Canon Snappy is a totally new type of camera, combining snapshot simplicity with Canon 35mm quality. At the right price!

Snappy is being heavily advertised on network TV in prime time and in national magazines such as *PEOPLE* and *GOOD HOUSEKEEPING*, with a hard-hitting campaign designed to bring Canon quality within the reach of millions of additional customers. You can tie-in to this national effort with a wide variety of point-of-sale materials available for your stores.

Totally automatic and designed for foolproof operation, Snappy cameras are simple to use and simple to sell. You get more sales, the customer gets better pictures!



Snappy 20

Snappy 50

Canon Snappy cameras are completely automatic, with motorized film loading, automatic frame advance after each shot, power rewind, automatic exposure control and a built-in electronic flash. The Snappy 20 comes in five terrific colors and features a fixed-focus Canon f4.5 lens. The deluxe Snappy 50 comes in charcoal gray and features a Canon f3.5 lens with autofocus.

Both models are supplied with color-coordinated carrying cords and packed in handsome self-display boxes. And both give your customers better pictures!

The Official 35mm Camera of the 1984 Olympic Games

Canon® Snappy 50/20

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I am always looking for sale items. I buy soda pop, Band-Aids on sale, and use coupons heavily. I also watch for H&BA on sale. I don't buy my cosmetics here because I can get a better product at a better price, with consultation, at beauty supply specialty stores.

THIRD ANNUAL CONSUMER STUDY

Cosmetics depts. retain market supremacy

The average consumer today prefers the convenience offered by the drug store when it comes to purchasing cosmetics. In fact, *Drug Store News'* latest consumer survey revealed that 46% of those questioned last purchased a cosmetics item at a drug store.

That should come as welcome news to drug store operators, who have been upgrading the mix and decor of their departments in hopes of improving their share of the $10.3 billion cosmetics market. Their efforts have apparently paid off in the race for market supremacy with department stores, supermarkets and discount stores.

Based on the survey, only 12% queried last purchased cosmetics in a department store. Supermarkets were mentioned by 8% of those surveyed, a surprisingly high response rate considering that supermarkets offer a narrow selection. Discounters, such as K mart, Target and Wal-Mart, were popular among the sample, with 13% reporting that their last purchase was at a discount outlet.

Another competitive challenge is coming from the door-to-door marketers including Mary Kay and Avon. Almost 7% of the sample last used this source to buy cosmetics.

It is the drug store, however, that tends to entice the younger, more affluent shopper who is prepared to pick up an item on impulse. To this end, drug chains are improving their merchandise presentations and bettering customer service. This has been apparent in the major chains. Sixty per cent of the drug store shoppers noted that they shopped a chain rather than an independent.

The prestige fragrances lining drug store shelves today such as Opium, Halston and Ricci are proper for the more affluent shopper frequenting the drug store. About 40% of those last purchasing cosmetics in a drug store have household incomes exceeding $25,000.

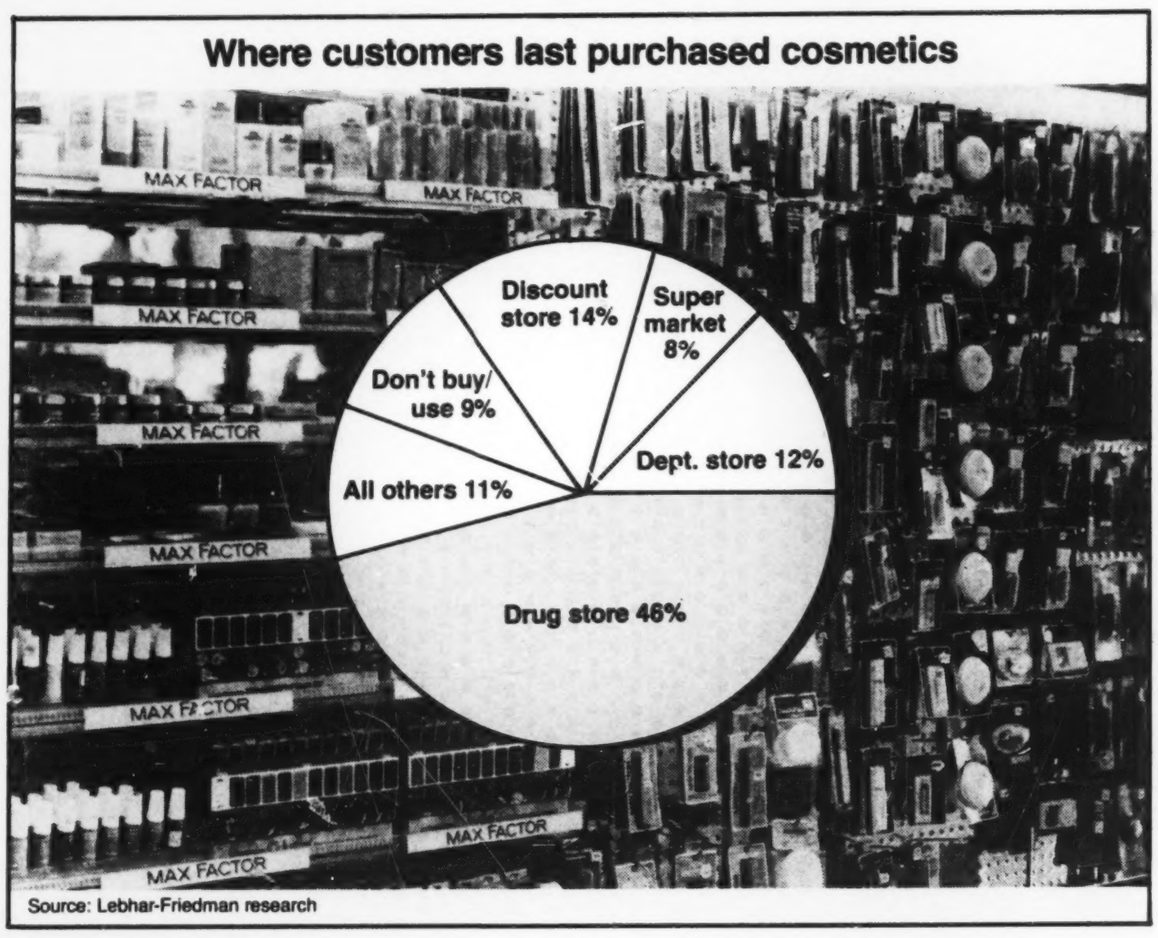
Many drug chains are now going one step farther by adding prestige cosmetics lines to the mix. These brands, often secured via diverters, help set drug stores apart from food stores.

In the drug cosmetics mix, fragrances produce the bulk of sales, followed closely by pegged cosmetics. The fastest growing segment is the facial treatment area, whose expansion is being fueled by the aging of the population.

Total cosmetics growth has flattened over the years, making it more crucial than ever for drug chains to entice former department store shoppers. Overall, cosmetics sales last year increased only 1% to 2%, while drug chains managed to squeeze out an 8.9% sales growth.

While almost 50% of those surveyed last purchased cosmetics at a drug store, an even greater percentage, 76%, reported that they have at sometime purchased cosmetics at a drug store.

Based on the total number of shoppers who last purchased in a drug store, it is apparent that cosmetics is a high-impulse category.



Source: Lebhar-Friedman research

Drug store lead in toiletry sales boosted by image

Drug stores are the outlet that the majority of people surveyed in *Drug Store News'* Consumer Study last purchased a toiletry item.

In fact, 40% of those questioned had selected a drug store, compared with 33% who last shopped in a supermarket. Over the past few years, these two outlets have engaged in a fierce battle to command the toiletry market. Although drug stores fared better overall, supermarkets outperformed drug outlets in the New England and South Central States. Those who did ot last purchase in a drug outlet often made less than two trips to the store and had a household income under $10,000.

The image of the drug store—the health atmosphere provided by the pharmacy—helps keep drug stores ahead of food units when it comes to toiletry goods. Additionally, drug stores are willing to devote greater space to these heavily sku'd areas.

The loyalty to the drug store is even more dramatically demonstrated by examining the answers of customers when asked if they ever shop a drug store for toiletries. Almost 90% said yes, making toiletries one of the categories customers associate with drug stores.

This toiletry shopper is likely to be a frequent visitor to her favorite drug stores. For example, only 14.5% of the total survey said they shop at a drug store as many as five times per month. Of those shopping a drug store for toiletries, however, almost 18% said they visit the store five or more times.

And she's prone to impulse purchases—perhaps the new shampoo featured in a floor display or the sun care item on the endcap. Twenty per cent said they'll always buy on impulse while 47% said they'll sometimes make an impulse purchase.

Drug stores also tend to attract the single shopper more often than other outlets. Only 10% of those shopping for toiletries in a supermarket were single, while 16% of those last purchasing toiletries in a drug store were.

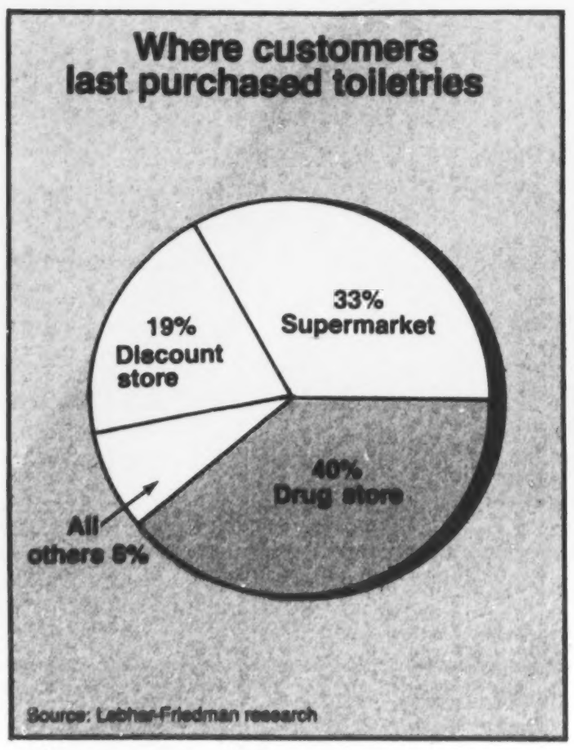
This single shopper is upwardly mobile with a decent discretionary income that she is prepared to spend on toiletry items. This has enabled drug stores to realize an 8% sales gain in toiletry sales last year for a total of $3.3 billion. This category, which accounts for 12% of total chain sales, is one of the areas drug chains now stress as they take a back-to-basics approach to merchandising their stores.

One of the fastest growing segments of toiletries is skin care accounting for almost 12% of toiletry sales. Deodorants command about the same share followed by men's toiletries and shampoos.

Conditioners are also gaining in popularity as are new hair care goods, including free-styling mousse items.

Another area with potential in toiletries is ethnic hair care, now an $800 million market. Drug chains currently offer as much as 40-ft. of ethnic hair goods.

Although drug units must continue to fight the battle against supermarkets, a new foe appears to be the discount store, mentioned as the site of the last toiletry purchase by 19% of those surveyed.



Source: Lebhar-Friedman research

Emphasis on skin care pays

The drug store emphasis on developing a wide variety of skin care items is apparently paying solid dividends. This is supported by the fact that almost 50% of the consumers surveyed indicated that the last outlet in which they purchased a skin care product was a drug store.

This is in contrast to department stores, which were selected by only 6% of the consumers as the place where such products were last purchased, and discount stores, which were singled out by only 14%.

In addition, 81% of those interviewed noted that drug stores have been a source for skin care at one time or another—an indication of the strong image drug stores maintain in the category. In fact, based on the survey, customers are more likely to buy skin care at a drug store than they are to buy film, cosmetics or baby needs.

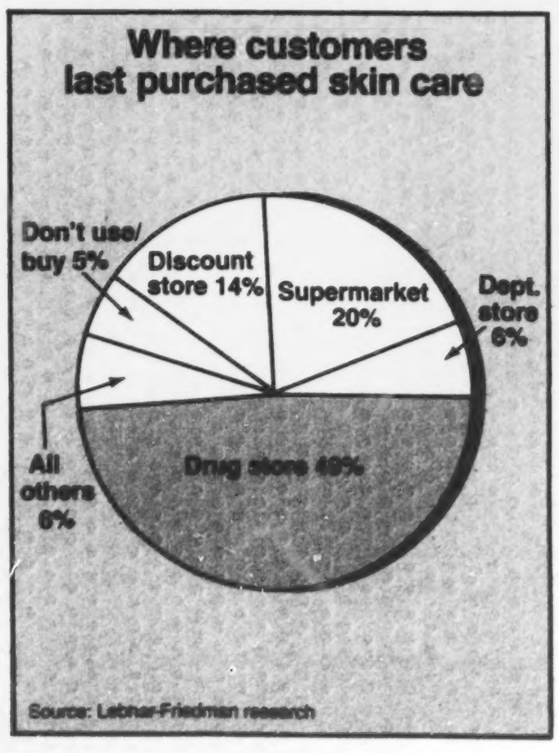
The survey shows that the retail sector gathering the most steam is supermarkets, which are now adding more footage to the category. That is because it yields gross margins in the 35% range—significantly higher than most food store merchandise. Twenty per cent of those questioned by *Drug Store News* made their last skin care purchase at a supermarket.

However, drug stores have the space to house more of the new skin care products filtering into the market. For example, natural products are gaining in favor, as are therapeutically positioned skin products. There is also an increase in soaps with skin care ingredients plus "all over" skin care products that can be used in the shower. Because drug stores have the space as well as the merchandising expertise, retailers expect drug stores to hold their market share in this burgeoning category.

Retailers must make sure they have the latest merchandise because 20% of those coming into the drug store with a shopping list will "always" make an impulse purchase and are indeed shoppers who can be swayed by attractive store displays.

Footage devoted to skin care has ballooned from what was once a 3-ft. section to well over 16 ft. in most drug chains. The mix includes such items as facial soaps, moisturizing lotions, new men's moisturizing shave lotions, scrubs, sponge/loofas, acne and bath.

Overall, skin care sales jumped 15% last year to a total of $2.35 billion.

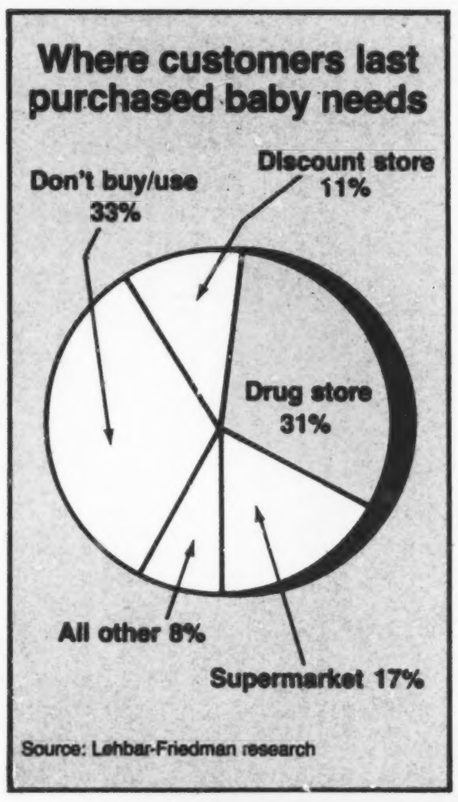


Source: Lebhar-Friedman research

THIRD ANNUAL CONSUMER STUDY

I shop at this store because it is walking distance from the convalescent home where I stay. My son phones in the prescriptions and I walk over and pick them up. If the prescription isn't ready, I walk around and pick up items I like such as candy and items I need.

Drug stores still parents' choice for baby needs



In the competitive baby market, drug stores have been able to woo more parents despite constant efforts to build market share by supermarkets.

In *Drug Store News*' recent survey of shoppers, a hefty 31% indicated that they last purchased baby needs at a drug store. Almost 60% of the sample reported that it was a chain rather than an independent.

But, supermarkets are hungry for more of the traffic and often slice margins on necessity items such as diapers and formula in hopes of enticing sales of higher margin accessories. Supermarkets, however, were the most recent source of baby needs for 17% of the survey respondents.

Drug chains are also hoping that the parent will purchase a baby toy or feeding dish on their drug store visit. Many chains have remerchandised the department to induce impulse purchases by placing accessories on pegs hanging over diapers and formulas. The feeling is that you can almost give the diapers away and make up the profit on accessories. This tactic is on target, according to the survey, because the drug store baby care consumer is likely to buy impulse goods.

Parents, probably because of their manmy needs, visit a store more frequently. For example, the total surveyed showed that only 14% of all shoppers visit a drug store five times or more per month.

The baby category is a critical area for all retailers because of the current baby boomlet. In drug stores alone, baby sales are rising 13% annually. Once again, the drug store's largest battle is with the supermarket where retailers estimate that 75% of all disposable diapers are sold.

Discount stores lead in toy sales

Toys and electronic games are sought by consumers primarily at discount stores, but drug stores are the surprising third choice as an outlet for these products.

The *Drug Store News* consumer survey indicates 11% of those who buy toys made their last purchase in a drug store, and 7% of the electronic games customers made their last purchase in a drug store.

Discount stores dominate both areas, where nearly 47% of the toy shoppers made their last purchase and where 43% of the electronic game customers made their last purchase.

Department stores ranked second in both categories, with 27% of the last toy sales and 31% of the last electronic game sales.

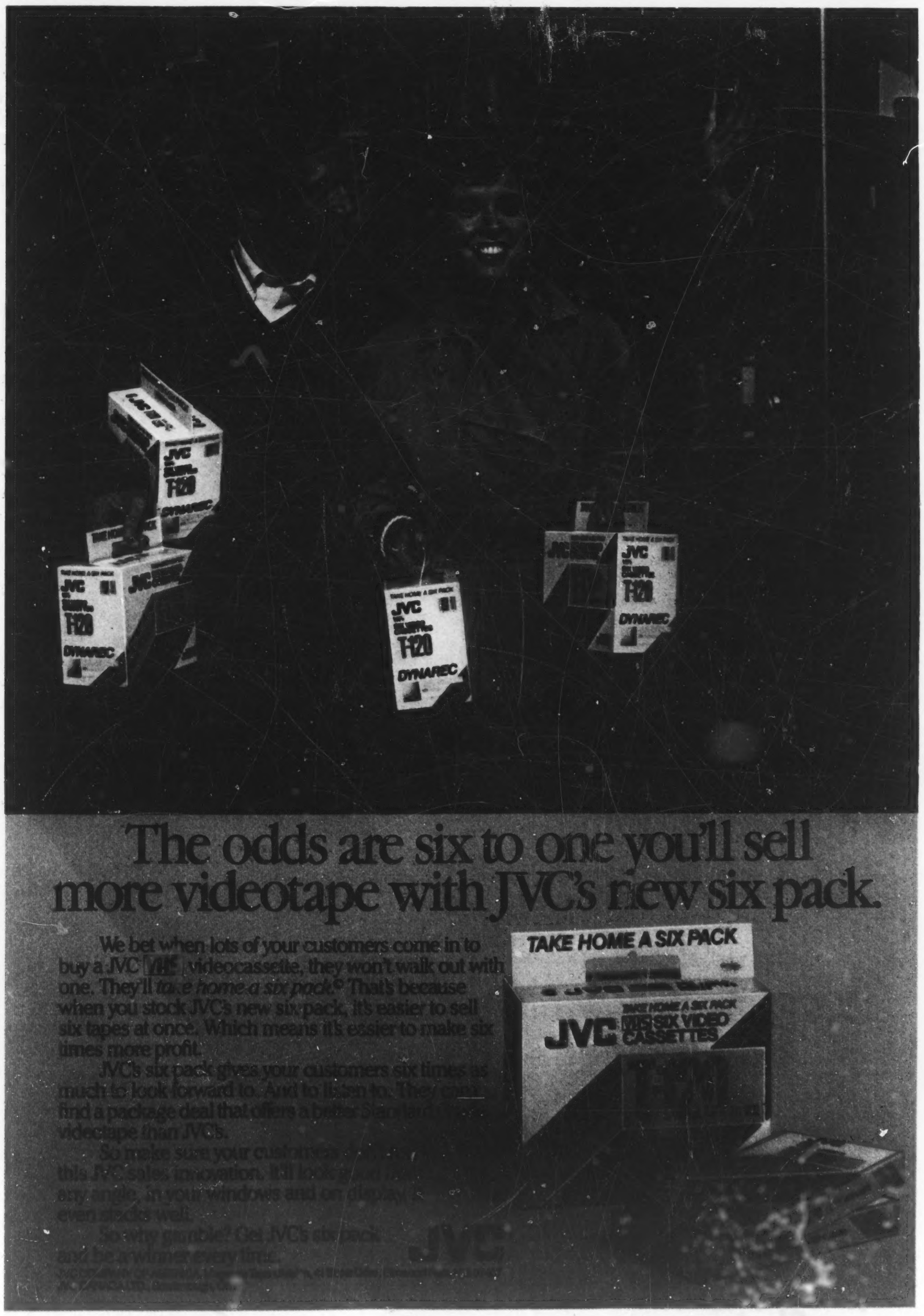
Toy stores accounted for 11% of the last toy sales and slightly over 7% of the last electronic game sales.

While only 15% of those surveyed said they do not buy toys, 55% said they do not use electronic games.

That means that consumers are three times more likely to buy a toy than an electronic game in a drug store.

However, electronic games are the fastest-growing segment of the toy business. Last year, the Toy Manufacturers of America reported total toy sales would have declined if electronic games were not included.

Although many drug chains last year did not sell electronic games because of their relatively high price, many buyers said they will have to enter this market as it becomes more of a factor in the toy business. While costs of hardware such as game machines and home computers proved to tie up too much inventory for some chains, most buyers felt the cost of game cartridges was affordable.


The odds are six to one you'll sell more videotape with JVC's new six pack.
We bet when lots of your customers come in to buy a JVC VHS videocassette, they won't walk out with one. They'll take home a six pack.® That's because when you stock JVC's new six pack, it's easier to sell six tapes at once. Which means it's easier to make six times more profit.
JVC's six pack gives your customers six times as much to look forward to. And to listen to. They can't find a package deal that offers a better Standard videotape than JVC's.
So make sure your customers
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So why gamble? Get JVC's six pack
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TAKE HOME A SIX PACK
JVC SIX VIDEO CASSETTES

THIRD ANNUAL CONSUMER STUDY

I am very price-conscious. I buy paper and plastics in the supermarket because they are cheaper than a drug store. I buy cookies in the drug store because they are less than at the supermarket.

Drug store sunglass sales continue to shine

Persons with higher incomes are more likely to buy and use sunglasses, and when they do they are more likely to buy them in a drug store than any other type of retail outlet.

That's one conclusion from *Drug Store News'* third annual consumer survey on the buying patterns of sunglass users.

Nearly 4 out of every 5 persons interviewed in the nationwide survey said they either bought or used sunglasses. Forty-one per cent of the user/respondent made their last purchase of sunglasses in a drug store. Discount stores accounted for another 20% of the survey respondents' most recent purchase of sunglasses while department stores, with 17%, ranked third. Nearly 3 of every 5 drug store purchasers of sunglasses interviewed (58%) said they shopped most often in a chain drug stores.

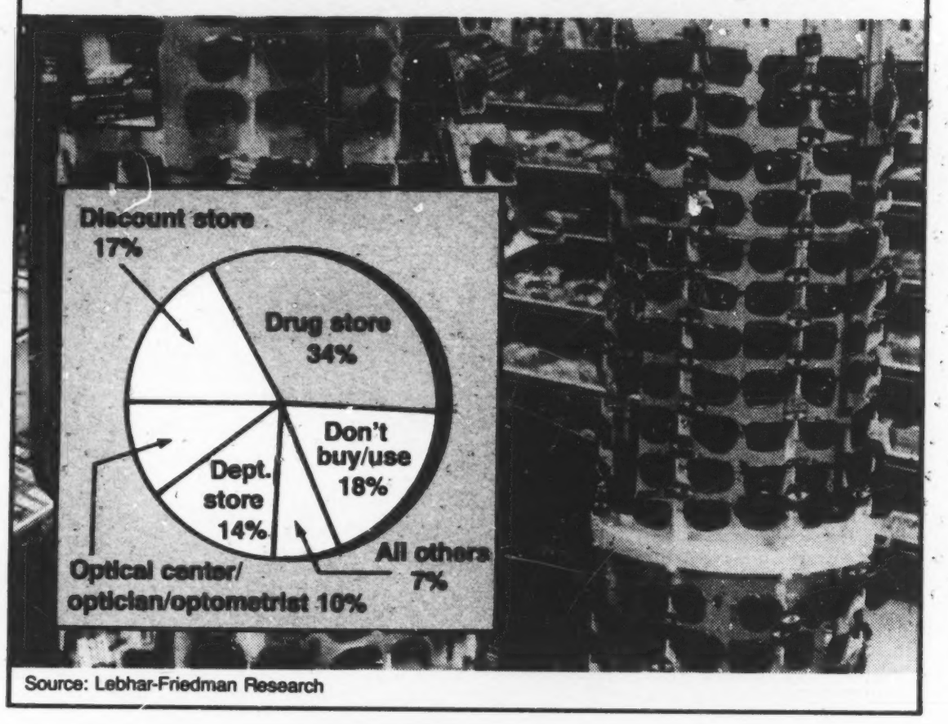
Ninety per cent of the persons interviewed with total family incomes exceeding $25,000 annually said they were buyers and users of sunglasses. Forty per cent of those in this income category bought sunglasses at drug stores. Seventy-nine per cent of those in the $10,000 to $24,900 annual income category were sunglass buyers, while 70% of those in the under-$10,000 annual income category bought sunglasses.

Survey results suggested that consumers in rural and suburban areas were more inclined to purchase sunglasses at a drug store than were their urban counterparts.

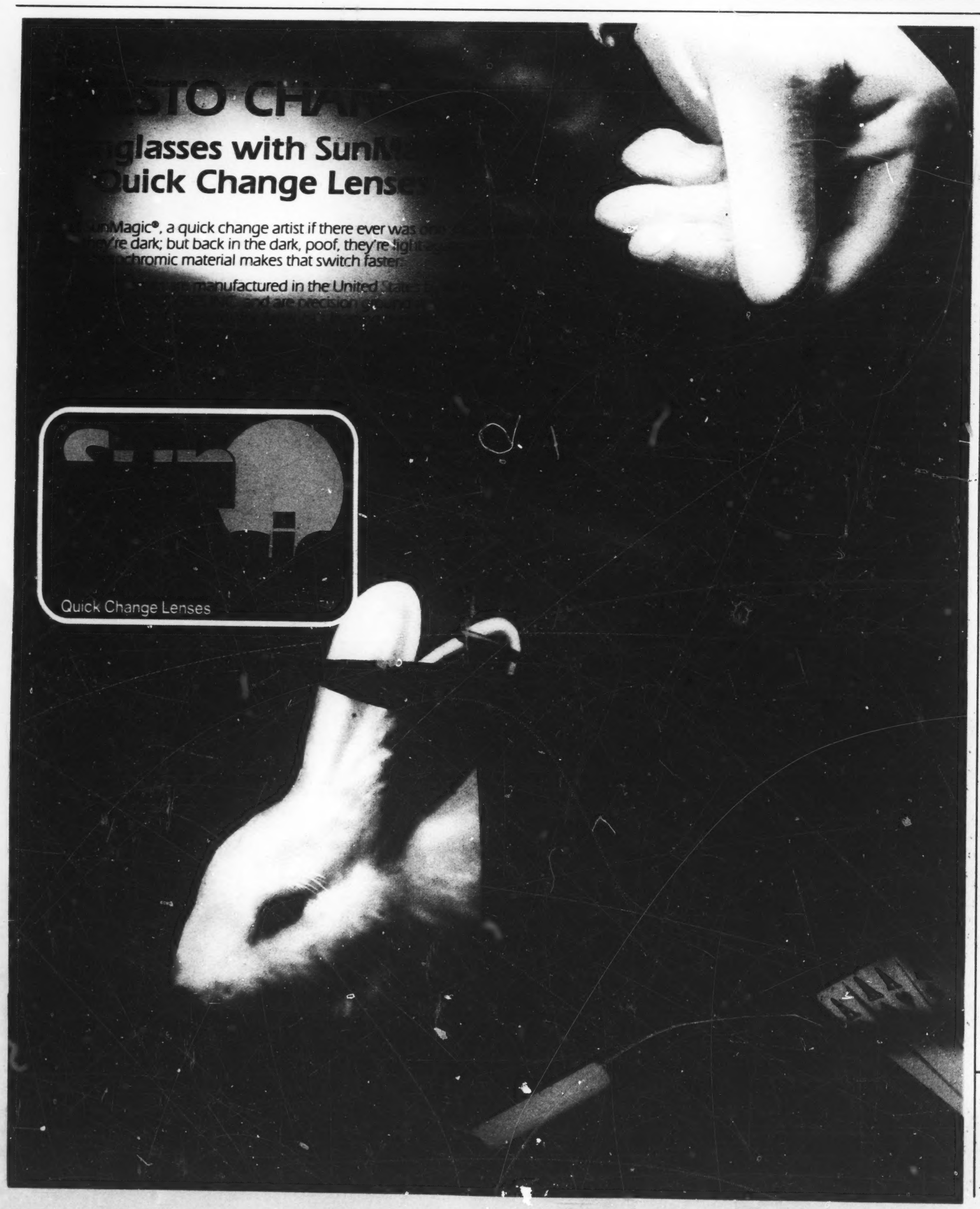
Persons who buy sunglasses in drug stores tend to be frequent shoppers according to the survey results. More than half (55%) of the sunglasses buyers who shop drug stores said they visited a drug store three or more times each month. Forty-five per cent said they visited a drug store at least twice each month.

Drug stores, industry experts say, dominate both the low- and medium-priced segments of the sunglasses market, estimated to generate $700 million annually in retail sales.

Where customers last purchased sunglasses



Source: Lebhar-Friedman Research


glasses with Sun
Quick Change Lens
unMagic®, a quick change artist if there ever was
re dark; but back in the dark, poof, they're light
chromic material makes that switch faster.
manufactured in the United
and are precision
Quick Change Lenses

Clock buyers cite price, convenience

When convenience and price are important, drug stores tend to become a more popular outlet for the purchase of clocks, watches and jewelry.

People who buy these products at their local drug stores tend to be 35 years of age and older living in rural areas with incomes under $25,000. For them, the drug store is a conveniently located outlet with reasonable price points. To this end, the vast majority of drug stores have included small clock and watch selections in their mix. Eckerd, for example, has been extremely successful with a wall clock program. Clocks and watches often are used in chain coupon books as a traffic draw, as well. Jewelry has also become a staple item within the drug chain's mix.

Diversified market

The *Drug Store News* survey showed that 15.2% of all respondents last purchased a clock or watch at a drug store. The leading retail outlet for these items, the survey showed, are discount stores with 33%, followed by department stores with 28%.

In jewelry, drug stores only represented 8% of respondents' most recent purchases. However, retailers expect this to increase as jewelry departments are upgraded to rival those of department stores. Department stores, in the *Drug Store News* survey, accounted for 31% of sales; jewelry stores accounted for 33%. This is supported by the fact that 24% of the shoppers did indicate that they have purchased jewelry in a drug store.

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I buy health and beauty aids at the drug store because selection is better than at the grocery store, although prices are competitive. I buy paper goods at the drug store or supermarket, whichever is most convenient. I pay attention to the ad specials.

THIRD ANNUAL CONSUMER STUDY

Drug stores 'show' in race for beer and liquor sales

When customers are hungry, thirsty or are looking for an alcoholic beverage, they sometimes shop in drug stores. But they usually buy their liquor, wine and beer in a supermarket or liquor store. They also usually buy their snacks, foods and soft drinks in a supermarket.

Still, drug stores ranked third as the location where outlets for liquor, wine, and beer and groceries were last purchased, second as the place where soda and snacks were last purchased.

Only 6% of all beer purchasers in the third annual *Drug Store News* consumer study said they made their last beer purchase in a drug store. That was less than the 49% who bought the product in a supermarket and the 31% who bought it in a liquor store. However, the number of beer consumers who last bought beer in a drug store was triple the number who bought it in department and discount stores and nearly double the number who bought it in convenience stores.

For wine and liquor sales, drug stores remained in third place. Eight per cent of the users said they made their last purchase in a drug store. That was less than the 51% who made their last purchase in a liquor store and the 33% who made their last purchase in a supermarket.

Once again, drug stores were more than twice as popular an outlet for such purchases than discount stores (3%), convenience stores (1.7%) and department stores (0.5%).

Although the percentages of men and women who made their last beer, wine and liquor purchases in a drug store were approximately equal, men were more likely to ever have bought the products at some time in their lives in drug stores.

Twenty-six per cent of the men surveyed said they bought beer at some time in a drug store, or twice the number (13%) of women.

In the wine and liquor category, 21% of the men surveyed said they once bought such products in a drug store.

Only 16% of the women surveyed bought in a drug store.

Alcohol consumption at all outlets decreased as consumers aged, but older people gave up beer faster than they gave up wine and liquor.

In the under 35 age group, 85.2% of those surveyed said they drank beer and 84.6% said they drank wine and liquor. In the 35 to 49 age group, 69.7% said they drank beer and 74% said they drank wine and liquor.

In the 50 and over category, only 53.6% said they drank beer and 64.6% said they drank wine and liquor.

Single people were more likely to drink, with only 18.7% reporting they do not drink beer, compared to 28.7% of the total population.

With wine and liquor, only 13.2% of single people reported they do not drink compared to 25.1% of the total population.

When it comes to snack foods, 5.3% of those surveyed said they made their last purchase at a drug store. That was behind the 86.4% who said they made the last purchase at a supermarket, but nearly double the 2.7% who said they made the last purchase at a discount store.

Buying habits were similar for soda. Eighty-three per cent of those surveyed said they made their last soft drink purchase at a supermarket and 5.1% said they made the last purchase in a drug store.

Drug stores were twice as popular among soft drink buyers as discount stores, where 2.1% said they bought their last soda, and convenience stores, where 2.3% said they bought their last soda.

With groceries, 94.8% of those surveyed said they bought the products in a supermarket.

Three times as many respondents said they last purchased beer in a drug store as in a discount store.

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I generally will shop at the store that is running the best specials.

THIRD ANNUAL CONSUMER STUDY

Tobacco a strong drug store draw

While nearly half of the primary drug store shoppers surveyed by *Drug Store News* say they never buy or use tobacco products, those who do so are most likely to buy them in a supermarket or drug store.

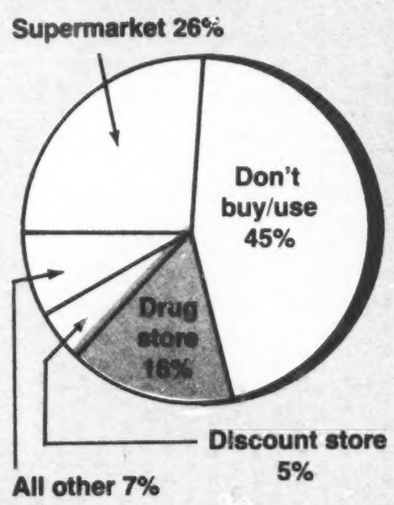
Survey results reflect the fact that women, as the primary drug store shopper in most households, are more likely to purchase cigarettes and other tobacco products in supermarkets than in a drug store. All consumers, especially women of course, typically visit supermarkets more frequently than they do drug stores.

And with 40% of the drug store tobacco purchasers saying they last spent $11 to $20 per visit, it appears tobacco users typically buy other merchandise when they stop for tobacco products.

According to survey results, women are more likely to buy and use tobacco products, primarily cigarettes, than are men. Fifty-six per cent of the women surveyed said they bought or used the products while 50% of all men surveyed did so. By a 35% to 50% ratio, women who buy/use tobacco are more likely to buy tobacco products in a supermarket than are men.

Following supermarkets, drug stores are the second most frequent source of tobacco products among the consumers surveyed. Forty-seven per cent of the user respondents said they had made their last tobacco purchase in a supermarket while 29% had made their last purchase in a drug store. By nearly a 2-to-1 ratio (65% vs. 34%), drug store buyers of tobacco products said they most often shopped a chain drug store rather than an independent.

Where customers last purchased tobacco



Source: Lebhar-Friedman Research

Where customers last purchased candy

Source: Lebhar-Friedman Research

Drug stores fare well in candy sales

When consumers want to buy gum and candy, there's a good chance they will pick up the items at a drug store.

In fact, 24.8% of those polled in the third annual *Drug Store News* consumer survey reported making their last gum or candy purchase in a drug store.

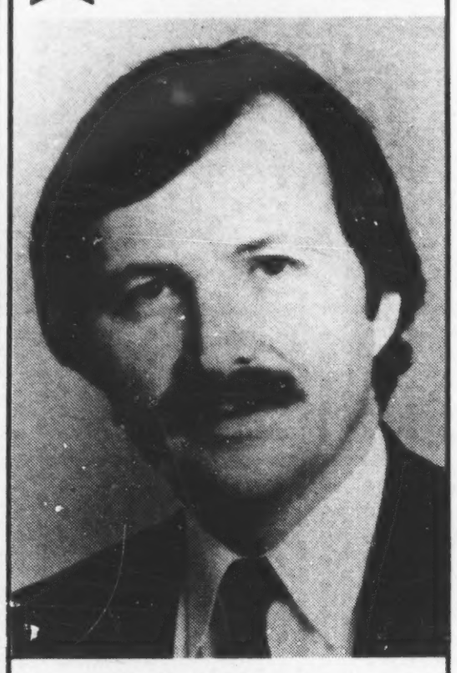
That percentage was second only to the 52.3% of those surveyed who reported last buying these products in a supermarket. Drug stores finished well ahead of discount stores (where 8.7% of those surveyed made their last gum and candy purchase), convenience stores (3.7%) and department stores (1.6%).

Although the percentage of consumers who made their *last* candy and gum purchase at a drug store was 24.8%, 76% of those surveyed said they bought the products in a drug store at some time.

Women are more likely than men to chew gum and eat candy. While 95.5% of the women surveyed said they have used the products only 88.7% of the men surveyed said they did.

Women were also more likely than men to have bought the products in drug stores.

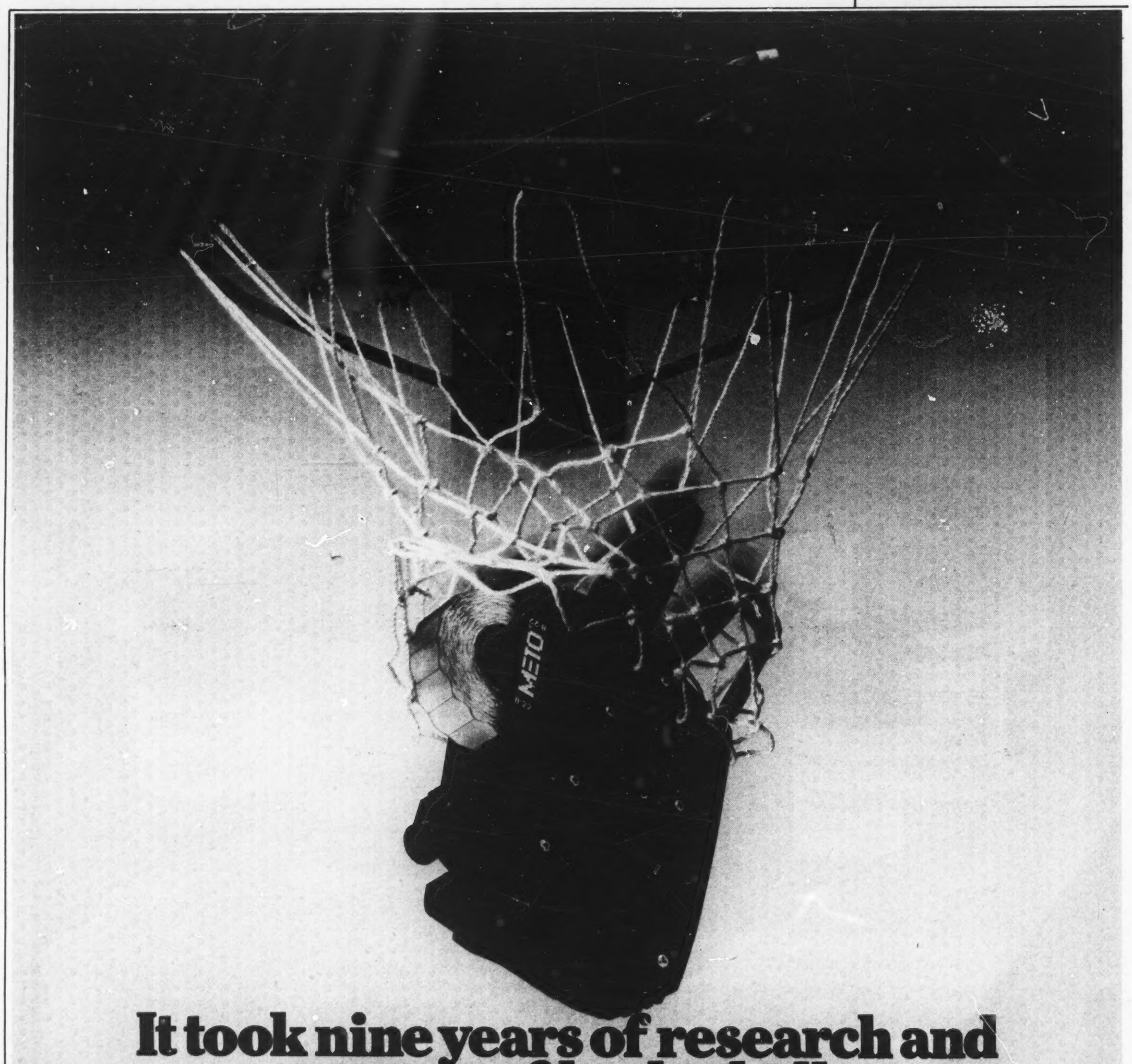
Imasco Limited



David Bloom

The Board of Directors of Imasco Limited, Montréal, announces the appointment of Mr. David Bloom as director of the Corporation.

Mr. Bloom is President and Chief Executive Officer of Shoppers Drug Mart, Toronto, a division of Imasco Limited.



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THIRD ANNUAL CONSUMER STUDY

My bus stops at this corner, so I can shop quickly at this store if I have to get something. I just ran in and bought some candy.

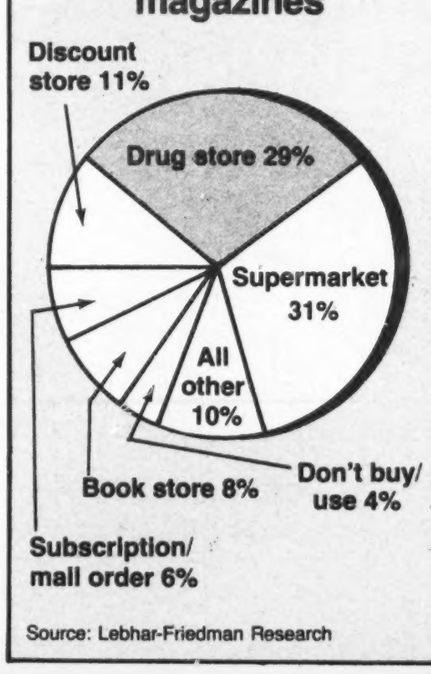
Drug stores, supers head book/magazine sales

Drug stores and supermarkets are running neck and neck as the leading outlet for books and magazines, according to the *Drug Store News*' third annual consumer study.

Nearly 31% of the consumers surveyed said they last purchased books and magazines in a supermarket, while 29% said they last bought the products in a drug store. Sixty per cent of the drug store book purchasers shop at a chain rather than an independent store.

Discount stores placed a distant third with approximately 10% of the consumers saying they last bought a book or magazine there. Only 7.9% said they last bought the products in a book store.

Where customers last purchased books/ magazines



Source: Lebhar-Friedman Research

Despite the close race between supermarkets and drug stores, there are a few key demographics differentiating drug store and supermarket shoppers.

For example, the survey showed that buyers of books and magazines in drug stores tend to be younger than those who purchase these items in supermarkets. In addition, survey results indicate that by almost a 3-to-1 margin, single persons were more likely to buy books and magazines in a drug store than in a supermarket.

While less than one-third of those surveyed said a drug store was the last place they bought a book or magazine, 67% of those surveyed had once bought these items in a drug store.

Books and magazines are items drug store shoppers often purchase on a whim.

Drug stores also are well suited for stimulating even more impulse buys.

Drug stores lead pack in stationery

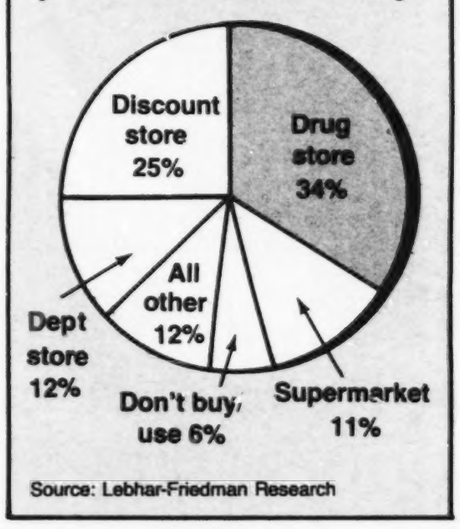
When *Drug Store News* questioned shoppers about where they last purchased stationery, about one-third (34%) responded in a drug store. That was a significantly higher percentage than those whose most recent purchase was at a discount store (25%), department store (11.5%), supermarket (11%) and even stationery store (5.5%).

Although it is a small part of the chain drug mix, the stationery department has been showing sales increases of at least 8% over the last few years as chains continue to develop small home/office selections. Drug stores today carry everything from writing instruments to social stationery.

A young, freespending clientele has come to appreciate the drug store as an outlet for stationery products.

In proportion to other retail outlets, drug and department stores attract more single shoppers for stationery.

Where customers last purchased stationery



Source: Lebhar-Friedman Research

Stationery shopping habits vary by region as well. Drug stores tend to be strong in the West, but weak in the New England area where discount stores tend to serve more customers.

Drug stores were selected most frequently by families with incomes in the $10,000 and up range.

Commercial stationery stores, which operate on margins of 70% to 80%, have lost sales to both discounters and drug stores who can sell the items at margins of 33% to 50%.

Potential growth areas in this category include erasable pens, licensed goods as well as home and office. Greeting cards account for 33.9% of total stationery sales while school/home/office follows with a 25.5% share. The best selling home office items are manila envelopes, large yellow pads, filing boxes and index cards.

Family Circle and Walt Disney World® can make them big sellers for you!

Here's why.

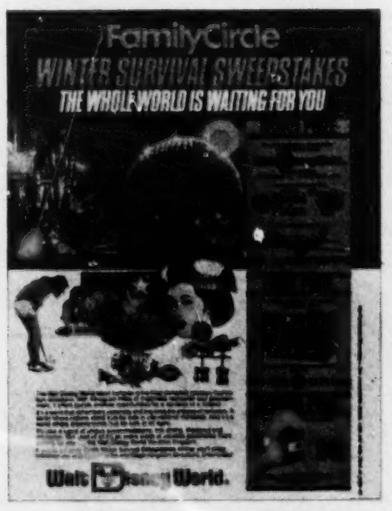
In 1984, Family Circle again presents Winter Survival Sweepstakes—the exciting drug store promotion that features the six products shown and offers consumers a shot at the Grand Prize of a trip for 4 to Walt Disney World Vacation Kingdom.

Winter Survival Sweepstakes will be announced with a 4-color full page ad in Family Circle's January 3rd issue. Readers will be encouraged to include proof-of-purchase with their Sweepstakes entries.

This means customers—like yours—will be buying BENYLIN, BUFFERIN, CENTRUM, JR., MYADEC, PAMPERS and TUCKS. Be ready for the run on these products!

Tie in with colorful display posters, rack cards and ad slicks (to be distributed in advance) December through January 3rd. Most importantly—stock your shelves now with BENYLIN, BUFFERIN, CENTRUM, JR., MYADEC, PAMPERS and TUCKS.

Remember, the Family Circle Winter Survival Sweepstakes ad will reach over 30 million responsive readers in the January 4th issue. Support the Sweepstakes products in your store and you'll be a winter winner, too.



Winter Survival products sold at these and other stores: CVS, Carls Drug Co. Inc., Carrs Quality Centers, Clark Drugs, Crown Drugs, Dart Drug Corp., Duane Reade Drugs, Gray Drug Fair, Hi-School Pharmacy, Hook Drugs, Inc., Mark Drug Co., May's Drug Stores, Muir Drug Stores, Pill and Puff Stores, Rea and Derick Drugs, Ribordy Drugs, Rix Super Drug Stores, Super X, Warehouse Drugs, L. F. Widmann, Inc.

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DRUG STORE NEWS

Vol. I — Serving the Retail Drug Store Industry for 55 years — Published by Lebhar-Friedman Inc./January 9, 1984

Pay 'n Save to expand Schuck's

By Mike Dunn

SEATTLE—Pay 'n Save's acquisition of the 58-store Schuck's Auto Supply chain puts the West Coast retailer on the same trail successfully blazed by Dart, Thrifty, Perry and Malone & Hyde.

All of the drug chains except Thrifty have profited from their

NEWS ANALYSIS

auto stores, and Thrifty's Trak Auto West chain is expected to be profitable in 1984.

Schuck's is one of the dominant automotive specialty stores in the Pacific Northwest. Pay 'n Save has agreed to acquire the stores and an 85,000-sq.-ft. warehouse for approximately $70 million of Pay 'n Save common stock.

"Schuck's is an excellent growth vehicle, and we plan an aggressive expansion program," said M. Lamont Bean, chairman of Pay 'n Save.

"The firm is well established and is a leader in the auto supply industry. The merger will

Continued on page 58

Chains check out scanners

NEW YORK—Revco, SupeRx, Medi Mart and Drug Fair of New Jersey have joined the growing list of both large and small chains planning to launch limited in-store tests of checkout scanning systems early this year.

Along with Florida-based Eckerd Drug, which also plans a limited test of scanning equipment early this year, these chains will venture into a segment of retail technology that is fast becoming commonplace in the grocery store industry.

Under the auspices of a Chicago marketing consultant, several drug chains have already installed laser scanners in stores located in Marion, Ind., Midland, Tex., Pittsfield, Mass., and Eau Claire, Wis. In addition, Revco has installed 11 scanners in its first low margin H&BA store in Memphis.

Both Giant Foods and the Jewel Companies, through its Osco and Sav-On drug store divisions, are also testing scanning equipment in freestanding drug or food/drug combination stores.

However, the tests to begin this year by Eckerd, Revco, SupeRx, Medi Mart and Drug Fair N.J. represent the initial foray into scanning by drug store chains themselves.

Although a rapid conversion to checkout scanning in drug stores is unlikely, top management at several chains has recognized that, in the words of Eckerd Drug chairman and president Stewart Turley, "it's getting close to the point where scanning will be more feasible" in drug stores.

Industry sources now estimate that at least 60% of all merchandise carried in the typical chain drug store is UPC coded and that 80% of all checkout transactions are comprised of products carrying the UPC code. With the number of UPC-coded items going up, and the price of buying, installing and maintaining scanning equipment coming down, the movement toward checkout scanning in drug stores is gradually picking up steam.

Continued on page 57

Drug store laser scanning is becoming more practicable as equipment prices come down and the number of UPC-coded products increases.

12% to 20% gains reported

Yule sales ring chains' bells

By Faye Brookman

NEW YORK—The rebounding economy, coupled with strategic promotional programs, helped make Christmas 1983 one of the hottest selling seasons in the past five years for drug stores.

Most chains reported sales increases of at least 12% over the previous year, and many cited gains as hefty as 20%.

Interviews conducted just prior to Christmas with representatives of 15 chains across the country revealed that the Yule season arrived earlier than usual, making sell-through cleaner than ever.

But while this early sales explosion was a relief to managers who usually sweat out the last-minute rush, it caused many retailers to scramble in search of suppliers to fill in out-of-stocks.

The hottest categories, according to buyers, were toys, candy, trim-a-tree, electronics, fragrance sets, telephones and gifts promoted in Christmas catalogs. Most out-of-stocks appeared in these sought-after

Continued on page 57

Pay Less NW: great Cabbage giveaway

WILSONVILLE, Ore.—While many retailers converted their Cabbage Patch Kids into a lettuce patch, Pay Less Northwest lost more than $200,000 giving the dolls away.

"This giveaway will give everyone an equal chance to win a Cabbage Patch doll," said Ed Hart, chairman, president and ceo of the Wilsonville, Ore.-based chain. "By hiring extra people to assist customers in entering the drawing and giving these dolls away, it could cost us over $200,000, but we feel it is well worth the goodwill generated. We will give all the dolls away. None will be sold prior to Christmas," said Hart.

With 150 stores, Pay less allotted 18 dolls per store and printed two million entry blanks. On Dec. 16, the chain gave away nine dolls at each store and scheduled the second drawing for before Christmas.

In contrast to the pandemonium that has erupted at stores *selling* the dolls, all was orderly when the first set of dolls were given away by Pay Less. Winners did not have to be in the stores when their names were announced. They got the dolls anyway. At one store, nobody responded to the first five names called.

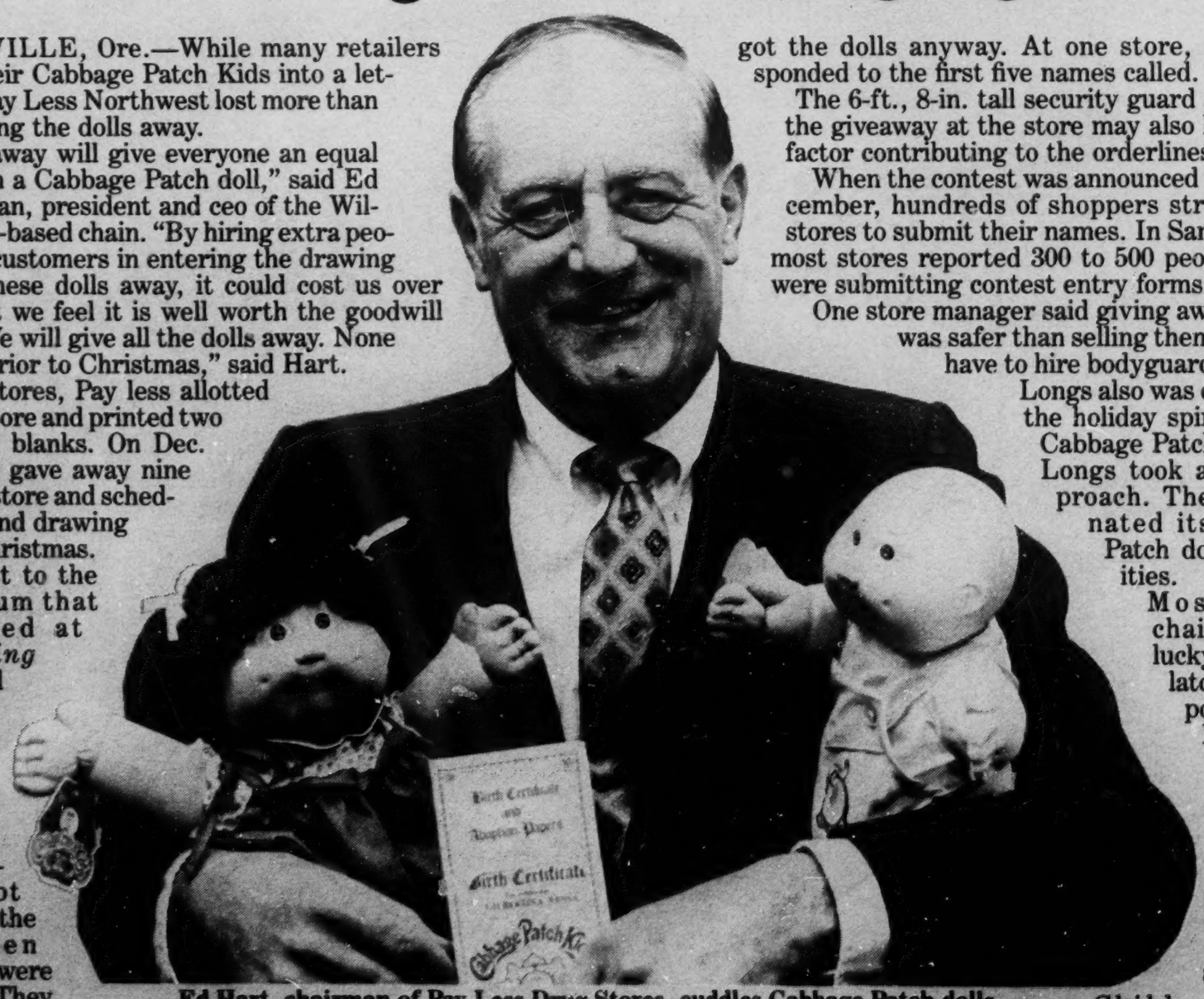
The 6-ft., 8-in. tall security guard supervising the giveaway at the store may also have been a factor contributing to the orderliness.

When the contest was announced in early December, hundreds of shoppers streamed into stores to submit their names. In San Francisco, most stores reported 300 to 500 people per day were submitting contest entry forms.

One store manager said giving away the dolls was safer than selling them. "We don't have to hire bodyguards," he said.

Longs also was caught up in the holiday spirit with the Cabbage Patch Kids. But Longs took another approach. The chain donated its Cabbage Patch dolls to charities.

Most drug chains weren't lucky enough to latch on to the popular dolls. However, drug stores reported a brisk sell-through of Cabbage Patch accessory items such as Cosrich's Children's Makeup.



Ed Hart, chairman of Pay Less Drug Stores, cuddles Cabbage Patch dolls.

1984: EXECS SEE SALES GAINS

- Chain drug execs see moderate sales gains this year, but plan to run "tight ships" to combat discounters—p. 2.

SPECIAL REPORT ON DIABETICS

- Diabetics shop more often at pharmacies and spend more money than the average shopper—p. 32.

SPORTS MEDICINE

- The new emphasis on fitness has boosted first aid and footcare sales—p. 49.

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CONTINUING EDUCATION PROGRAM

Review of antiarthritic drug therapy—pp. 15-22, and new antiarthritic drugs—pp. 27-34.

FINANCIAL

Perry reports record profits for fiscal '83

PONTIAC, Mich.—Perry wound up its fiscal year ended Oct. 31 with a 58% increase in profits and a 17% gain in sales, the best year ever recorded by the chain.

Net earnings for the year were $4.5 million, compared to $2.9 million last year, while sales rose to $285.5 million from $244.3 million.

Earnings per share were $1.02, 40% higher than the 73¢ achieved in the previous year.

"Perry has just concluded an exceptional year," said Jack A. Robinson, chairman and ceo. "Our achievements this past year have positioned us extremely well for a similar performance in the new fiscal year as well as continued profitable growth in our businesses."

For the fourth quarter, the chain recorded net profits of $1.3 million, a 131% increase over the $560,000 reported for the corresponding period last year. Sales for the quarter were $76.5 million, up 24% from $61.5 million a year ago. Earnings per share increased 71%.

The Pontiac, Mich.-based diversified retailer operates 186 stores in six states.

Third qtr. pretax earnings decline at Sav-On and Osco

CHICAGO—Pretax earnings for Sav-On and Osco declined 6.9% while sales increased 11.3% for the quarter ended Nov. 5, according to third-quarter results from the Jewel Companies Inc.

Sales at Jewel's drug store divisions for the quarter were $403.9 million, up from $362.8 million. Operating earnings were $6.97 million, down from $7.49 million. Osco and Sav-On combined operate 492 drug stores in 25 states.

For the 40 weeks ended Nov. 5, operating earnings for the drug store divisions were $36.2 million, up 11.4% from the comparable quarter last year.

Sales at the drug store divisions for the three quarters were $1.32 billion, up 10.7%.

Overall, Jewel's total sales for the third quarter were $1.3 billion, virtually the same as the comparable quarter last year.

The corporation's net income was $13.8 million, down 13.4% from the third quarter last year.

For the first three quarters, corporate net income was $52.9 million, down 9% from the comparable period last year. Corporate sales were $4.3 million, up from $4.2 million.

In the drug divisions, Sav-On's earnings were impacted by competitive pressures and economic conditions in its markets, by startup expenses in connection with its program of new combination stores in the San Joaquin Valley in California and by costs related to distribution and in-store systems changes.

Although Osco's Christmas sales were described by the corporation as "excellent," the division's third-quarter gross margins were not as high as expected.

For additional financial news, see page 54

American Stores net rises

SALT LAKE CITY—American Stores Company reported that net earnings increased 45% to $22.8 million during the third quarter ended Oct. 29.

Net income per share increased 52% from 44¢ in the third quarter 1982 to 67¢ for the third quarter 1983.

Sales for the third quarter rose 8.4% to $1.97 billion compared to $1.82 billion during the same period in 1982. Like-store sales increased 8.8%.

For the 39 weeks of the current fiscal year, net income increased 37% to $72 million from $52 million last year.

Year-to-date sales were up 5.35% to $5.8 billion.

Pay 'n Save leads widespread stock decline

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		12/2/83—12/19/83							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year			Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	21.00	20.50	20.88	-.13	-.60	24.88	8.38	-.07	.41	-.43	-.74	1.12	.39	N	42.8	17.0	1.6	16.1	.04	.2	12-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	42.25	38.00	39.25	-2.75	-6.55	44.00	19.22	-.01	-.41	.07	-53.20	2.69	.87	N	35.2	44.0	1.2	11.8	.48	1.2	12-09-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	18.00	16.50	17.00	-1.00	-5.56	24.00	9.50	-.65	.91	-1.85	-22.22	1.47	1.27	S	NC	-12.0	1.4	13.4	.68	4.0	10-14-83	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	13.13	12.50	13.13	.50	3.96	14.50	6.38	.47	.53	-6.16	4.22	.39	.12	N	34.2	25.0	2.9	27.9	.00	.0	09-21-83	87.4	2.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	65.00	57.00	61.00	-1.00	-1.61	148.00	29.00	-.37	-1.54	7.32	52.95	5.43	6.32	N	207.2	67.0	3.1	6.5	.13	.2	12-06-83	291.8	9.1	2.0	12.01	28.91	0183
Eckerd, Jack	ECK	29.25	26.13	26.75	-2.38	-8.15	34.88	23.00	-.16	-.15	-.78	-38.19	1.91	.16	Q	8.8	4.0	3.1	13.6	.96	3.6	11-03-83	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	14.13	13.00	13.50	-.50	-3.57	14.50	5.69	.40	.47	-1.66	-12.07	.48	.13	N	31.7	32.0	2.0	25.0	.16	1.2	09-06-83	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	18.50	17.88	18.00	-.38	-2.04	20.50	5.53	.38	.12	-3.59	-13.41	.67	.26	N	45.6	32.0	1.6	21.7	.16	.9	10-06-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	28.50	28.25	28.50	.25	.89	29.75	15.34	.38	.60	1.83	-5.09	1.52	.73	N	55.7	10.0	2.3	14.0	1.00	3.5	10-07-83	285.2	6.6	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	48.88	46.00	47.25	.63	1.34	50.13	33.75	.32	-.33	1.20	27.17	2.92	.46	N	16.3	10.0	2.8	14.4	1.12	2.4	11-22-83	1123.2	30.9	1.8	.00	18.76	0183
Pay N Save	PAYN	28.75	24.88	25.13	-2.63	-9.46	28.75	15.19	.13	-.86	.96	-16.76	1.52	.89	N	69.5	4.0	1.6	11.6	.56	2.2	11-17-83	1043.2	16.8	2.3	17.01	14.32	0183
Pay Less NW	PAY	18.00	17.50	17.75	-.25	-1.39	20.19	12.25	.12	.12	-.44	1.27	1.07	.21	N	21.2	.0	2.5	14.8	.27	1.5	12-19-83	784.7	19.4	2.0	5.26	6.07	0183
Peoples Drug	PDG	24.63	22.88	24.50	.25	1.03	31.75	16.50	-.33	1.10	-4.74	17.93	1.79	.40	F	28.7	23.0	1.7	13.7	.28	1.1	11-18-83	791.1	13.7	1.9	4.97	10.08	0982
Perry Drug	PDS	19.63	18.13	18.25	-.63	-3.31	22.38	7.84	.02	-.19	1.61	-39.32	1.02	.29	F	39.7	7.0	1.6	17.9	.20	1.1	08-15-83	285.5	4.5	1.9	6.04	6.50	1082
Revco Drug	RDS	34.88	31.63	34.13	1.50	4.60	36.25	25.09	-.12	2.02	-.51	-19.70	2.13	.53	S	29.9	24.0	3.7	14.8	.68	2.0	11-18-83	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	43.75	39.00	39.50	-3.50	-8.14	46.88	28.19	-.19	-1.38	4.35	11.82	2.37	.52	S	25.6	27.0	3.9	15.5	.64	1.6	10-11-83	1294.7	49.9	1.7	1.17	12.38	0283
Thrifty Cp	TFD	20.38	19.63	20.00	.13	.63	25.25	8.63	.51	.24	-3.06	7.42	1.13	.21	F	22.8	18.0	1.9	17.7	.46	2.3	11-03-83	1187.8	22.5	1.5	5.62	6.14	0882
Walgreen Co	WAG	40.38	37.25	38.00	-1.25	-3.18	40.38	26.00	.12	-.18	-.32	3.97	2.24	.41	F	22.4	35.0	2.9	17.0	.72	1.9	11-04-83	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	27.00	24.75	25.25	-.63	-2.42	39.50	24.75	-.28	-1.08	-3.90	9.77	1.60	.24	Q	17.0	40.0	1.4	15.3	.32	1.3	10-26-83	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	41.00	38.75	39.13	-1.63	-3.99	51.00	37.50	-.05	-.22	-.43	14.14	3.44	-.09	S	-2.5	5.0	1.6	11.3	2.40	6.1	11-25-83	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	23.75	22.25	22.50	-.75	-3.23	28.50	22.25	-.50	-.40	3.93	-3.86	.94	1.32	S	NC	99.0	.7	17.0	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	16.50	14.75	15.00	-1.63	-9.77	17.81	9.97	.25	.38	-3.89	-5.74	.89	.49	S	106.5	112.0	.4	15.8	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	16.75	16.00	16.50	.00	.00	19.25	12.75	-.17	.06	6.68	35.64	.77	.18	N	16.3	5.0	.7	12.9	.32	1.9	12-09-83	211.4	1.5	2.8	10.55	9.76	1282
Spectro Indus	SPO	21.25	19.50	19.50	-1.75	-8.24	28.75	14.88	.20	-.94	-3.37	3.04	1.35	.34	S	30.0	50.0	1.6	13.3	.14	.7	12-29-83	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	45.88	43.13	45.75	2.25	5.17	53.38	36.13	-.46	.67	.03	-11.94	2.37	.44	N	19.4	26.0	11.1	16.9	1.00	2.2	01-09-84	2602.4	289.1	1.3	1.56	10.74	1282
Am Home Prod	AHP	51.63	48.75	49.75	-1.75	-3.40	54.25	41.75	-.15	-.28	1.04	9.84	3.59	.39	N	11.1	16.0	12.2	12.8	2.40	4.8	11-03-83	4582.1	560.1	2.7	.00	11.83	1282
Baxter Travenol	BAX	23.25	21.38	22.88	1.50	7.02	31.31	20.00	-.74	.86	1.90	-24.02	1.22	.26	N	22.6	25.0	11.2	16.2	.28	1.2	11-18-83	1671.4	186.9	2.0	1.18	7.52	1282
Block Drugs Co	BLOCA	26.00	25.75	25.75	-.25	-.96	34.47	19.41	.12	.17	-2.51	-37.14	2.85	.40	S	15.3	14.0	9.7	8.6	1.00	3.9	11-25-83	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	43.75	40.75	43.25	.75	1.76	47.88	31.19	-.24	1.01	.81	11.14	2.59	.35	N	13.7	18.0	9.7	15.0	1.20	2.8	10-03-83	3599.9	348.7	2.3	.84	12.68	1282
Carter-Wallace	CAR	21.63	20.25	20.88	-.75	-3.47	29.00	17.75	.03	.72	-3.34	1.87	2.12	.50	S	26.4	38.0	5.7	9.2	.48	2.3	11-09-83	289.9	16.5	2.6	1.57	20.15	0383
Forest Labs	FRX	29.75	26.88	27.88	-1.75	-5.91	40.75	18.13	-.05	.89	-1.31	15.72	.48	-.08	S	-13.5	62.0	13.4	54.7	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	8.25	6.88	7.38	-1.00	-11.94	15.25	6.63	-.09	.13	3.18	11.44	.42	-.11	N	-27.5	38.0	7.8	25.4	.00	.0	00-00-00	38.7	3.0	1.8	.65	3.81	1182
Key Pharm	KPH	18.00	16.00	18.00	.75	4.35	25.94	13.59	.22	1.19	-.24	16.95	.34	.15	N	51.7	80.0	14.9	40.9	.13	.7	11-04-83	82.3	12.3	1.6	.03	1.14	1282
Lilly Eli Co	LLY	60.88	57.63	58.88	-1.63	-2.69	68.38	56.50	-.65	.33	1.74	7.11	5.42	.62	N	11.8	13.0	13.9	10.0	2.90	4.9	11-07-83	2962.7	411.8	1.9	.65	27.10	1282
Lee Pharm	LPH	2.88	2.25	2.50	.00	.00	4.38	2.00	-.31	1.40	-1.70	-8.19	-.65	.72	N	NE	-81.0	-12.6	NE	.00	.0	00-00-00	10.3	-1.3	1.9	.46	1.98	0982
Marion Labs	MKC	40.25	37.13	38.25	-2.38	-5.85	48.00	22.06	-.30	.58	3.78	5.52	.78	.33	Q	60.0	13.0	8.2	43.5	.40	1.0	12-14-83	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	94.50	90.13	91.75	-2.50	-2.65	104.63	81.75	-.27	.27	1.59	-9.40	5.61	.51	N	9.2	9.0	13.6	15.2	3.00	3.3	11-29-83	3063.0	415.1	2.1	4.56	29.81	1282
Morton Thiokol	MTI	80.25	75.75	77.50	.75	.98	80.50	48.75	-.06	.38	-.62	29.92	5.15	1.45	Q	35.8	16.0	5.2	14.1	1.76	2.3	11-23-83	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	7.88	6.25	6.88	-1.13	-14.06	11.38	5.25	-1.00	2.00	-.88	-1.80	-.03	.01	Q	NE	22.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	37.75	33.88	35.88	.38	1.06	44.75	33.56	-.46	.78	2.01	-12.68	2.13	.58	N	28.5	15.0	9.6	13.7	1.16	3.2	11-14-83	3453.6	332.8	2.0	3.37	12.82	1282
Reid Prov Labs	REID	4.75	4.00	4.00	-.50	-11.11	6.09	1.69	1.87	-1.52	1.94	-8.49	.10	.07	Q	116.6	72.0	6.1	30.8	.05	1.3	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	22.75	21.00	21.50	-.50	-2.27	29.38	16.00	-.77	-.44	-.44	44.00	1.98	.51	N	27.4	19.0	10.1	9.1	.68	3.2	11-15-83	482.3	48.7	4.0	1.50	13.29	1282
Rorer Group	ROR	32.50	28.50	29.00	-3.38	-10.42	34.25	22.38	-.05	-.22	-3.08	-5.00	1.82	.15	N	8.3	12.0	9.0	14.9	1.08	3.7	11-03-83	402.4	36.3	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	18.63	17.63	17.63	-.88	-4.73	29.63	16.50	.10	-.44	-1.97	37.92	1.13	-.25	S	-23.5	4.0	5.2	21.8	.32	1.8	12-07-83	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	50.63	42.63	42.75	-8.50	-16.59	55.88	34.75	-.56	-.23	5.65	-13.38	2.77	-.13	N	-5.1	25.0	13.5	18.0	.52	1.2	10-31-83	1036.9	140.4	2.2	4.10	13.32	1282
Squibb Corp	SQB	48.00	44.38	45.38	-1.88	-3.97	55.63	38.25	-.39	-.54	2.24	-2.47	3.01	1.69	N	111.9	2.0	9.2	14.2	1.44	3.2	11-14-83	1660.8	153.6	2.3	6.54	21.29	1282
Sterling Drug	STY	27.38	26.25	26.88	-.38	-1.38	29.63	21.75	-.33	.20	-1.21	7.95	2.17	-.01	N	-.4	9.0	7.3	12.3	1.12	4.2	11-09-83	1796.2	132.0	2.8	1.19	14.16	1282
Syntex Corp	SYN	55.75	52.25	54.13	-.75	-1.37	62.50	44.13	-.31	.80	-.16	-6.57	4.30	.51	Q	12.9	40.0	17.2	12.2	1.40	2.6	11-03-83	870.2	149.3	2.2	1.11	17.03	0782
Thompson Med	TM	20.50	19.13	19.75	-.63	-3.07	26.00	9.22	.29	.40	-5.28	12.80	1.16	.48	N	43.2	69.0	12.7	12.4	.40	2.0	12-23-83	91.0	11.6	4.5	.00	4.53	1182
Upjohn Co	UPJ	57.88	55.50	56.25	-.25	-.44	68.75	44.13	-.13	.05	-6.53	7.61	4.18	.10	N	2.0	5.0	6.9	11.3	2.28	4.1	09-30-83	1828.7	126.0	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	29.38	27.75	28.63	.88	3.15	35.00	25.75	-.06	.29	1.85	19.65	2.05	.09	N	4.1	-3.0	5.0	12.6	1.48	5.2	10-31-83	3246.0	163.2	2.1	8.51	17.28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

*** — Other than a quarterly multiple resulting from a fiscal year change.**

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

Special report: Diabetics

PHARMACY

Diabetics need full line of monitoring devices

NEW YORK—Many of the nation's leading diabetologists now believe that the best hope for diabetics lies in close control of blood glucose levels.

Maintaining levels as near to normal as possible appears vital in managing diabetes. Control is defined operationally as the achievement of "normal" blood glucose values before, and three to four hours after, any given meal and through the nighttime hours.

Control is achieved by physician care, proper diet, exercise and medicine when needed. But the success of this program hinges on diabetics knowing their own blood sugar levels at all times.

Depending on the condition and needs of individual diabetics, there is a "hierarchy" of testing, which means that a complete range of products must be available to consumers. These items include both urine and blood testing devices, and reagent strips.

Until as recently as 1980 urine testing was the only monitoring method available to diabetics for use at home. However, for many diabetics—notably type I—urine tests for sugar are insufficient for close control.

The amount of glucose in the urine does not always accurately reflect the "immediate" glucose level in the blood. Specifically, urine tests don't always indicate when blood glucose is dangerously low; urine tests do not become positive until glucose levels in the blood have been high for several hours, and urine glucose levels may falsely appear negative if the patient has recently had a large amount of liquid to drink.

Type I diabetics also have the option of using blood tests to monitor their diabetes management.

Frequency of monitoring varies with the severity of diabetic symptoms. Most insulin-dependent diabetics monitor blood glucose levels four to five times a day for optimum control. And during periods of illness or stress, monitoring is more frequent to avoid abrupt changes in blood glucose levels.

Pregnant diabetics are often advised to monitor seven to eight times a day. In a study conducted at New York Hospital-Cornell Medical Center, diabetic women on regular blood glucose self-monitoring were able to achieve near normal blood sugar levels. These same women delivered healthy babies with no diabetes-related hospitalizations during pregnancy.

Monitoring also minimizes the unexpected highs and lows which can occur when a diabetic misses a meal, is ill or under stress. And monitoring also provides diabetics with a means of associating daily activities with the effects of blood sugar levels.

To foster more patient self care, some physicians have formed Diabetes Self-Care Programs so that patients can learn how to monitor their conditions at home. Some physicians participating in these programs note that their overall success hinges on insurance companies. They say that if insurers fail to support these programs, they face the prospect of much higher hospitalization costs.

Other doctors aren't so optimistic. They claim that technology now exists to *achieve* control, but it is difficult to *sustain* control. Therefore the next frontier is maintaining control by increasing patient compliance through patient education.

Diabetes incidence growing

NEW YORK—Approximately 5% of the United States population has some form of diabetes. And while the incidence of the disease grows, researchers remain stumped about the cause of the increase.

In 1980, it was estimated that eight million to 8.5 million Americans suffered from type I (insulin-dependent) or type II (not-insulin-dependent) diabetes.

By 1983, this estimate grew to 10 million to 11 million people. And of this total, half, or about five million people, don't even realize they have the disease.

Failure to recognize diabetes' early warning signs, including blurred vision, obesity and slow healing of cuts, helps explain why the disease is the nation's third largest killer. Other warning signs are excessive thirst, constant hunger, frequent urination, fatigue, rapid weight loss and acetone breath. But these clues are not observed among all patients.

So blood glucose and urine tests are used to confirm and monitor the disease.

Aside from its rapid growth, diabetes is an often-misunderstood disease, and making people aware of symptoms serves a critical community need. By improving awareness, many of the disease's life-threatening complications—blindness, kidney failure, heart disease, leg/foot amputations—can be avoided.

If diabetes is left uncontrolled during pregnancy, it can lead to spontaneous abortion or retarded and physically deformed or impaired children.

When unchecked, diabetes can result in blindness. A reported 5,000 cases occur each year. Diabetics are also 17 times more likely to have kidney disease, five times more likely to develop gangrene and lose a limb, and twice as susceptible to heart attack.

Correction

In the Nov. 14, 1983 issue, it was incorrectly reported that average pharmacist's salary rose 16% last year. The correct increase was 7.4%.

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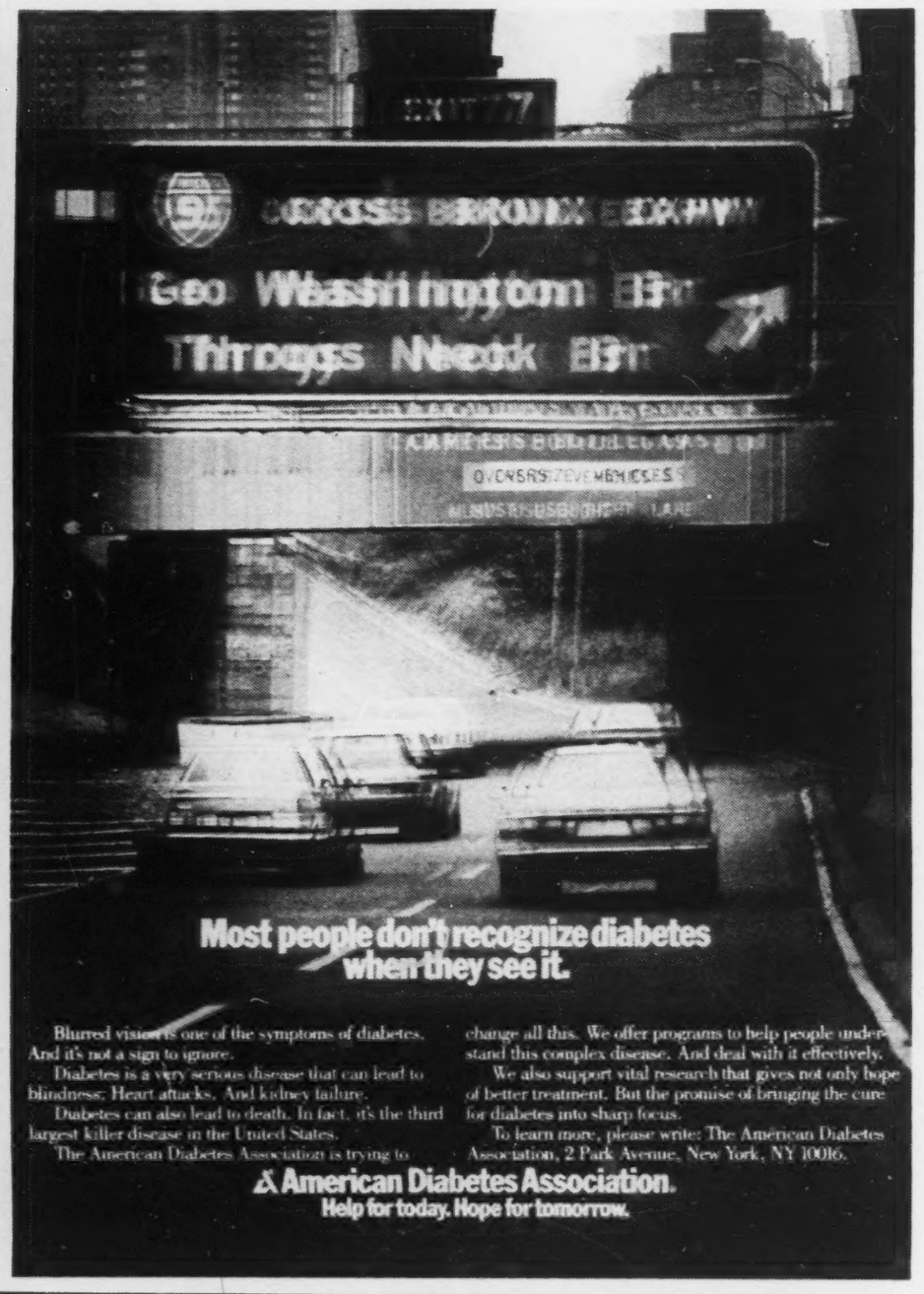
Most people don't recognize diabetes when they see it.
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MERCHANDISER
Drug stores tread softly on Olympic turf—p. 41

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DRUG STORE NEWS

Vol. 6 No. 2/ Serving the Retail Drug Store Industry for 55 years Published by Lebhar-Friedman Inc./January 23, 1984

Duane Reade, on fast track, to go public

Goal: $200M annual sales in 3 years

By Elizabeth Parks

NEW YORK—Duane Reade, the nation's most successful "off-price" discount drug chain, is about to go public.

After 25 years of operating what most industry sources consider one of the most profitable chains in the nation, the Cohen family, which founded Duane Reade, is taking it public.

The 21-unit chain is in the prospectus stage right now and should be a public company by March.

In preparation for the transition, Eli Cohen, one of the founding brothers, has just been named president and ceo, while Abraham Cohen, another founding brother, has moved into the role of chairman.

Fully stocked shelves and fast turnover mark Duane Reade's 21 stores in Manhattan. The chain, which is about to go public, has per-store sales of more than $5 million.

At presstime, other promotions and staff changes were in the process of being implemented, and a second generation of Cohens, Abe's sons, David A., 29, and Joseph, 24, and Eli's sons, David E., 27, and Leon, 25, were being groomed for additional responsibilities. New responsibilities were also being planned for Jack Cohen, vp of planning and construction, who is also one of the chain's founders.

Most of the younger Cohens have been in the business since childhood, and the Cohen family has reached the point where they feel it is now time to expand the business so there will be more opportunities for the young.

"Our sons have all been very much involved in the company," says Eli Cohen. "We feel that with the new generation coming of age that this is something that will be good for them and good for the company."

Last year, the Cohens opened one new store in Manhattan. Now with the transition to a public company only weeks away, an ambitious expansion plan is in the offing.

One new store will open in Manhattan this month, at 38th Street and Fifth Avenue, and three more have been planned for the second quarter.

The Cohens, who don't use units to describe the size of their company—preferring instead dollars—say they plan to be a $200 million a year chain within three years. Sales for 1983 topped $100 million.

Continued on page 58

To roll out scanners

Rite Aid to eliminate price marking

NEW YORK—Rite Aid is about to become the first drug chain to use scanners to eliminate individual item pricing in its stores.

The Shiremanstown, Pa.-based company, which is the industry's ninth largest drug chain in terms of dollar sales, has been testing a computerized scanning system since October in three stores, in Philadelphia and Harrisburg, Pa., and upstate New York.

Chairman Alex Grass says the chain is only months away from perfecting its system and plans to begin rolling it out chainwide by midyear.

"Our biggest savings will come from labor costs," says Grass. "We're going to follow the lead of the supermarkets and eliminate individual item prices."

Rite Aid plans to eliminate item pricing in at least one of the its three test stores this March. Duane Ruble, senior vp of administration, says that item pricing will gradually be phased out as the scanners are phased in.

"We don't anticipate any negative feedback from shoppers at all," said Ruble. "The supermarket chains have broken the ice. Most shoppers today are used to scanners and many are accustomed to shopping in stores that no longer individually price each item."

Ruble says that with the money saved by eliminating individual pricing, the new com-

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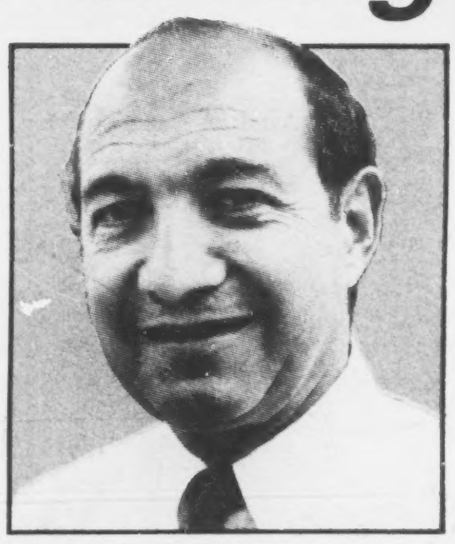

Rite chairman Alex Grass: Our biggest savings will come from labor costs.

Walgreens launches 2 Home Med Centers

By Faye Brookman

DEERFIELD, Ill.—After three years of testing a single 6,000-sq.-ft. Home Medical Center in Chicago, Walgreens has moved ahead with the opening of two more units.

Walgreens selected two additional Chicago-area locations for its newest centers, which were opened in November and December. All three centers are in the 4,000- to 6,000-sq.-ft. range, and offer a variety of durable medical equipment and sickroom supplies backed up by a heavy commitment to professional service.

Like other chains that have diversified into the lucrative $2 billion to $2.5 billion home health care market, Walgreens views home health care as a natural extension of its main business—drug stores.

Continued on page 58

Pay 'n Save chooses Wash. sites for 2 Price Savers

SEATTLE—With its first Price Savers Wholesale Club set to open next month in Salt Lake City, Pay 'n Save has picked sites closer to home for its next two ventures into the hot new buying club trend that is sweeping the nation.

Pay 'n Save's newest 100,000-sq.-ft. stores, which operate on margins averaging 10½%, will be located in Seattle and Fife, Wash. In Seattle, the chain will be going up against Costco, a relatively new entry into high-volume discounting.

But Pay 'n Save and Costco will meet head-on before the Price Savers Wholesale Club in Seattle is completed.

Costco and Pay 'n Save are racing to be the first to complete a warehouse-style retail outlet in Salt Lake City.

Two units in a medium-size city probably saturate a market, so it is imperative that prospective operators of the stores stake out their territory quickly.

When Pay 'n Save announced it was opening its first unit in Salt Lake City, the retailer also announced it planned to open units in Seattle, Tacoma, Anchorage and Honolulu.

That kind of announcement was meant to forestall competitors who were looking for new sites. The originator of the concept, Price Club of California, has been expanding and similar operations also are growing.

When Pay 'n Save announced its units in Fife and Seattle, diversified retailer also indicated it still plans to open in Honolulu and Anchorage.

But claiming an area may not be enough. Operators of this type of store know that they will open units only in some of the sites they announce. Announcing expansion plans in several cities is meant to kept the opposition guessing.

Continued on page 58

Late News

CALIFORNIA'S Department of Health Services has postponed "indefinitely" the controversial Prudent Purchase of Drugs (PPOD) program, which had been set to go into effect Jan. 1. The state agency said it wanted to study the program further, mentioning the possibility of a pilot program initially. The postponement came as two groups had filed lawsuits to halt PPOD. (See earlier story, page 13.)

FIRST QUARTER EARNINGS AT Walgreen Co. rocketed 30.5% from $9.6 million last year to $12.5 million, or 41¢ per share vs. 31¢. Sales for the same period rose 16.4% to $613 million. Drug store division sales were up 16.8% for the quarter.

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CONTINUING EDUCATION PROGRAM

Calcium channel blockers—pp. 15-23, and drug treatment of hypertension—pp. 27-34.

Executives: Economic upturn to spur drug store construction

NEW YORK—Drug chain real estate executives believe that the improved economic climate will help foster an increase in new store construction this year.

While virtually no one expects shopping mall and strip center development to approach the levels of the 1970's when nearly 1,000 centers a year were being constructed, most real estate execs from leading drug chains reported an increase in the number of developers returning to the market. According to a recent survey conducted by the Real Estate Research Corp., approximately 300 centers will be constructed this year.

Developers have been attracted back into the market in part by the stabilization of interest rates and construction costs. In addition, sources point out that the amount of unoccupied retail space in shopping centers, which has been a problem for builders during the past four years, has been gradually reduced.

"There's more action than there's been in the last couple of years," said John Carlisle, vp, properties management at Hook Drugs in Indianapolis. "The economy has loosened up so that they are developing more center sites."

Carlisle said that Hook is planning to open 22 new drug stores and 5 convalescent aids stores in 1984. Last year the chain opened 20 drug stores and two convalescent aids stores.

"We're going through with our regular expansion program," Carlisle continued. "We're not slowing down. There's just more of a selection of store sites to choose from."

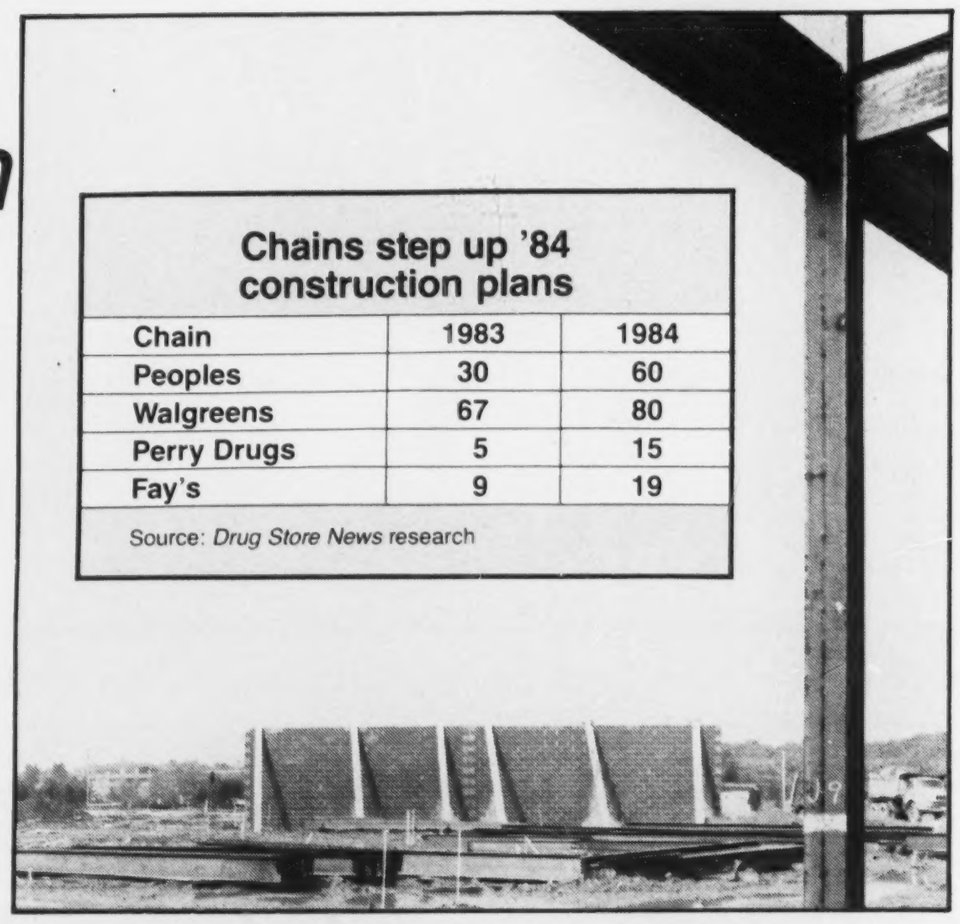
At Big B in Birmingham, Ala., Arthur Jones, vp of fi-

Continued on page 57

Chains step up '84 construction plans

Chain	1983	1984
Peoples	30	60
Walgreens	67	80
Perry Drugs	5	15
Fay's	9	19

Source: *Drug Store News* research



News in brief

Execs to speak at conference

DALLAS—Three top chain drug executives will discuss merchandising strategies for the home health care market as part of the NACDS Small Chain Conference here Jan. 22-25. The execs are J. Douglas Reeves, chairman and president of Hook Drug, Robert J. Begley, chairman and president of Begley Drug and James I. Harrison Jr., president of Harco Drug. Other conference highlights include a study of the Dallas retail drug market presented by Howard L. Green, president of a consulting company that bears his name and a presentation on controlling vendor theft by Jack Henry of Security Training Programs.

Rite Aid promotes Martin Grass

NEW YORK—Martin Grass, vp real estate of Rite Aid, has been promoted to senior vp. Alex Grass, Martin's father, announced the appointment before the New York Retail Analysts society. At the same meeting, Grass also announced that the chain's board of directors has also agreed to a dividend increase and a stock split.

The split is Rite Aid's third in three years and the fifth since the company first went public in 1968. An original share purchased in 1968 would be equal to 24 shares today. The dividend increased 28% to 20.5¢ per quarter.

APhA names interim president

WASHINGTON—The American Pharmaceutical Association Board of Trustees has elected Maurice Q. Bectel as interim president, succeeding Dr. William S. Apple, who died last month at the age of 65. Bectel, a practicing pharmacist in Muskegon, Mich., has resigned his position as chairman of the APhA Board of Trustees to which he was recently re-elected. Bectel said he would be serving "temporarily" as interim president and would "definitely not be a candidate for president."

Malone & Hyde tests Ike's

MEMPHIS—Malone & Hyde has firmed up plans for the first of its deep-discount variety stores, "Ike's," which will open Feb. 1 in a former supermarket in the Eastgate Shopping Center.

Although there will be no pharmacy, the 33,000-sq.-ft. unit will be operated along the lines of deep-discount drug stores. Sixty per cent of Ike's product mix will be H&BA and general merchandise such as light bulbs, toys, pet foods, plastics and greeting cards. Snack foods, soft drinks and household products will occupy the rest of the store.

Tom Hanneman, senior vp and former head of the Super D drug chain, said Ike's pricing is designed to be 20% to 50% lower than conventional pricing.

"We will stock only highly consumable name brand products with fast turnover. Our massive, high-volume buying of only manufacturers' deals will enable us to maintain the lowest possible expenses and pass the resulting savings to the consumers," he said.

This store will be the testing ground for Malone & Hyde's concept, which Hanneman dubbed the "store of the future." Two more are slated for Memphis.

Batts to take Eckerd Apparel helm

CLEARWATER, Fla.—Burton C. Perfit, senior vp-group executive of the Jack Eckerd Corp., announced the appointment of Ronald N. Batts as president of Eckerd's Apparel, the 10-state Southeastern chain of 100 casual wear stores based in Charlotte, N.C. Batts had been special assistant to the president of the Bon Marche Department Store in Seattle, a unit of Allied Stores. Before that he was president of Peoples Department Stores, Tacoma, Wash.

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Vol. 6, No. 2 January 23, 1984

Pathmark's Super Centers swell in size and number

NEW YORK—Supermarkets General Corp. will open eight new Pathmark Super Centers and eight new freestanding Pathmark Drug Stores—including one that will likely operate on a low-margin format—during fiscal year 1984, president and ceo Leonard Lieberman has announced.

Lieberman told a group of analysts at a meeting of the New York Society of Security Analysts last month that Supermarkets General sees "continued and substantial opportunities in the drug store sector . . . more freestanding drug stores and other drug store formats as well."

Later in the meeting, departing from a prepared text, Lieberman said that Pathmark was "particularly interested" in looking at the deep-discount format both "offensively and defensively."

"The deep-discount store is a fascinating format that may turn out to be for drug stores what the super centers were to the traditional supermarket entry," Leiberman said.

While not revealing the locations of the new freestanding drug stores, Lieberman said that they would probably be opened "within Pathmark's advertising umbrella."

Supermarkets General Corp. is no stranger to the low-margin format. Its chain of Pathmark supermarkets has faced challenges from food warehouse stores in New Jersey, Connecticut and for a while on Long Island. In addition, Rock Bottom, a chain of deep-discount drug stores based on Long Island, also has posed a challenge to Pathmark's H&BA and prescription pricing strategies.

In the past, however, Pathmark's response to deep-discount drug stores has been to lower prices in stores that are in direct competition.

Lieberman also announced

Continued on page 58

Food stores gain in H&BA share

NEW YORK—Food stores and mass merchandisers both gained market share at the expense of drug stores in 25 leading health and beauty aid categories in September-October 1983 compared to the same year-earlier period, according to A. C. Nielsen.

Drug Stores' share of the 25 H&BA categories fell by 2.2 percentage points during the period, while food stores gained 1.6 share points and mass merchandisers 0.6 of a point.

The loss in market share came as the drug store dollar total for the 25 categories increased to $747.6 million in September-October, a 3% gain over the same year-earlier period.

In comparison, food stores showed a 13% year-to-year sales increase to $1.2 billion for the two-month period, while mass merchandisers sales advanced 14% to $366.2 million.

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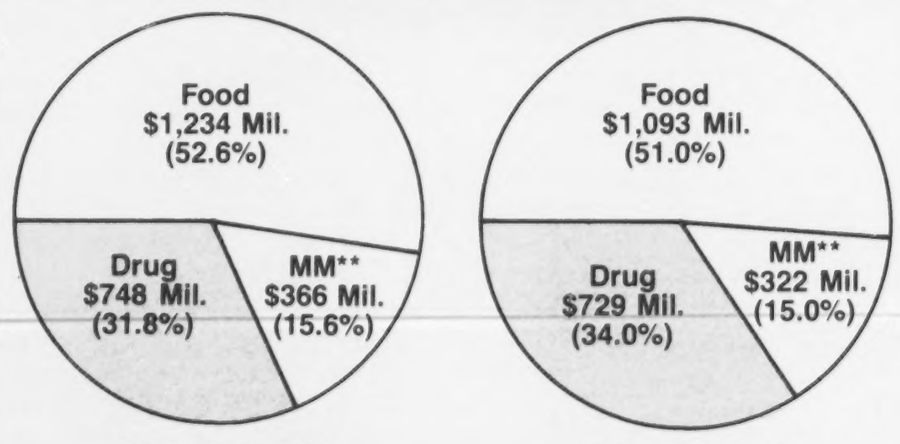
Drug store market share drops for 25 leading H&BA categories*



*Men's hair preps, razor blades, aerosol shave creams, after shave lotion and cologne, dentifrices, oral antiseptics, multiple vitamins, cold tabs, sinus headache remedies, topical antiseptics, headache remedies, stomach remedies, disposable diapers, food remedies, shampoos, deodorants, feminine deodorants, sanitary protection, hand lotions, face creams, hair coloring, hair fixatives, home perms, after shampoo products, bath additives.

**Mass merchandisers

Source: A. C. Nielsen Co.

Walgreens debuts Perfection line cosmetics

DEERFIELD, Ill.—Backed by the success of its imported Perfection personal care appliance line, Walgreens is dipping into other areas, including cosmetics accessories.

This past Christmas, the chain turned to the Orient to produce a quality line of cosmetics kits that could be promoted as a Christmas gift idea. The result was a series of four items attractively packaged in navy enamel with Oriental flowers. Price points ranged up to $7. Sell-through was reportedly brisk and stores were left with only a few pieces after the holiday rush.

Since 1982, Walgreens has carried its Perfection brand, which now consists of nine hair care appliances plus cosmetics brush applicators. The most recent test of makeup cases, packed under a Pretty Face logo with a Perfection tag line, hints that the chain may move further into private label cosmetics.

The Perfection hair care line, produced in Hong Kong, has been steadily improving thanks to Walgreens emphasis on quality control. In the chain's recently released annual report, vp marketing Vern Brunner reported that sales "are particularly strong for the Perfection personal care appliances."

Overall, Walgreens store brands are enjoying healthy sales increases. In fact, during 1983, house brand volume rose 19%, according to the annual report.

Walgreens and Eckerd have been the two chains most aggressive in extending private label into appliances and accessories. However, other chains including Peoples have expressed interest in providing an alternatively priced brand that would net the chain a hefty gross margin at the same time. Personal care, because the business is now mostly in replacement items, was a natural start.

Sources at other drug chains add that cosmetics accessories and novelties were a natural move. "These items fly out of the stores at Christmas," one buyer says.

FINANCIAL

Revco sales and profits continue upward spiral

TWINSBURG, Ohio—With Revco's same store sales increasing at a double-digit rate for the seventh consecutive quarter, net income increased 26% to $15.9 million for the quarter ended Nov. 12.

Net income for the second quarter last year was $12.7 million.

Sales for the quarter ended Nov. 12 were $453 million, up 15.7% from $392 million for the comparable quarter last year.

Earnings per share for the quarter were 49¢, up from 41¢.

For the two quarters ended Nov. 12, net income was $31.4 million, up 27.4% from $24.6 million for the comparable period last year. Sales for the first two quarters were $889 million, up 15.4% from $771 million.

Earnings per share for the first half of the fiscal year were 97¢, up from 80¢.

In the second quarter, stores which have been open at least one year produced sales that were 12.1% better than they did in the second quarter last year.

In the first quarter of fiscal 1984, same store sales were up 11.6%. For fiscal 1983 same store sales were 12.3% better than in fiscal 1982.

During the seven quarters that Revco produced double digit same store sales increases, earnings increases exceeded sales gains.

Sidney Dworkin, chairman, attributed the trends to the recession resistant nature of Revco's drug store business, effective expense controls and steady improvement in the results of the former Skillern drug stores and Revco's manufacturing subsidiaries.

"Sales of these [former Skillern] stores exceeded the chainwide like-store average during the second quarter, and we are progressing toward a level of profitability comparable to the Revco chain as a whole," Dworkin said.

During the first two quarters, Revco added 63 stores chainwide, up from 26 for the comparable period last year. Between 110 and 120 stores are expected to be opened during fiscal 1984.

At the end of the second quarter, there were 1,720 stores in 28 states.

In the second quarter, Revco opened its first deep discount store, the "Get It For Less" unit in Memphis. Dworkin said one or two more may be opened before the end of the fiscal year in cities where Revco does not operate drug stores. The test will determine if this type of retailing "represents a viable form of diversification for Revco," Dworkin said.

Rite Aid splits stock

SHIREMANSTOWN, Pa.—Rite Aid has announced a 2-for-1 stock split payable Jan. 30 to stockholders of record at the end of Jan. 16.

The dividend was increased on the old share basis from 16¢ to 20½¢.

Bergen Brunswig profits up

LOS ANGELES—Bergen Brunswig reported record earnings and sales for the first quarter, as profits increased 22% from the comparable quarter last year and sales gained 17%.

For the quarter ended Nov. 30, net income was $5.2 million, or 41¢ a share, up from $4.2 million, or 36¢ a share. Sales were $406 million, up from $348 million.

Emil P. Martini Jr., chairman and ceo, siad, "We believe we are in excellent position to achieve our operating goals for the full fiscal year."

At the wholesaler's annual meeting Dec. 14 in New York, shareholders elected Charles J. Lee, a senior vp at Natomas Co., as a Class A director. The following were elected Class B directors: Emil P. Martini Jr., chairman and ceo at Bergen Brunswig; Robert E. Martini, Bergen Brunswig president; John Calasibetta, senior vp at Bergen Brunswig.

Rite Aid up 13% as most chain stocks advance

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		12/6/83—12/30/83							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio	Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	20.88	16.50	16.63	-4.00	-19.39	24.88	8.38	-.56	-4.27	3.63	26.73	1.12	.39 N	42.8	17.0	1.6	12.8	.04	.2	12-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	40.25	38.25	39.63	.63	1.60	44.00	19.22	-.19	-.62	-.88	-38.38	2.69	.87 N	35.2	44.0	1.2	11.9	.48	1.2	12-09-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	17.00	16.50	16.50	-.50	-2.94	24.00	9.50	-.37	-1.12	2.87	-57.55	1.47	1.27 S	NC	-12.0	1.4	13.0	.68	4.1	10-14-83	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	13.13	12.88	13.00	.13	.97	14.50	6.44	.19	-.45	1.64	22.44	.39	.12 N	34.2	25.0	2.9	27.7	.00	.0	09-21-83	87.4	2.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	63.00	60.00	63.00	2.00	3.28	148.00	29.75	.14	.23	2.30	22.09	5.43	6.32 N	207.2	67.0	3.1	6.7	.13	.2	12-06-83	291.8	9.1	2.0	12.01	28.91	0183
Eckerd, Jack	ECK	28.75	26.50	27.75	1.13	4.23	34.88	23.00	-.17	.66	-1.00	-17.46	1.91	.16 Q	8.8	4.0	3.1	14.2	.96	3.5	11-03-83	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	13.88	13.13	13.25	-.13	-.93	14.50	5.69	.04	-.44	-4.71	18.13	.48	.13 N	31.7	32.0	2.0	24.5	.14	1.1	12-23-83	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	18.25	17.38	17.38	-.75	-4.14	20.50	5.63	-.11	-1.24	-6.42	16.25	.67	.26 N	45.6	32.0	1.6	20.9	.20	1.2	12-28-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	29.50	28.50	29.25	.75	2.63	29.75	15.34	.52	-.24	-2.12	14.21	1.52	.73 N	55.7	10.0	2.3	14.3	1.00	3.4	01-09-84	285.2	6.6	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	49.00	46.50	48.63	2.38	5.14	50.13	33.75	.39	.38	-2.45	34.23	2.92	.46 N	16.3	10.0	2.8	14.8	1.12	2.3	11-22-83	1123.2	30.9	1.8	.00	18.76	0183
Pay N Save	PAYN	25.88	23.88	25.88	.75	2.99	28.75	15.44	-.14	.87	-3.33	1.16	1.52	.89 N	69.5	4.0	1.6	11.9	.56	2.2	11-17-83	1043.2	16.8	2.3	17.01	14.32	0183
Pay Less NW	PAY	18.25	17.63	18.13	.63	3.57	20.19	12.25	.01	.09	-3.66	63.85	1.07	.21 N	21.2	.0	2.5	15.1	.27	1.5	03-19-84	784.7	19.4	2.0	5.26	6.07	0183
Peoples Drug	PDG	26.00	24.13	25.50	1.50	6.25	31.75	16.50	-.04	-.11	4.20	-8.26	1.79	.40 F	28.7	23.0	1.7	14.2	.28	1.1	11-18-83	791.1	13.7	1.8	4.92	11.56	0983
Perry Drug	PDS	18.38	16.00	16.13	-2.38	-12.84	22.38	8.50	-.18	-3.39	-2.00	32.88	1.02	.29 F	39.7	7.0	1.6	15.8	.24	1.5	12-21-83	285.5	4.5	1.9	6.04	6.50	1082
Revco Drug	RDS	35.00	34.00	34.63	1.00	2.97	36.25	25.09	.19	-.04	-.72	.13	2.13	.53 S	29.9	24.0	3.7	15.1	.68	2.0	11-18-83	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	45.00	39.25	44.50	5.00	12.66	46.88	28.19	-.18	1.41	1.33	30.07	2.37	1.23 N	85.4	26.0	3.9	16.7	.64	1.4	10-11-83	1294.7	49.9	1.7	1.17	12.38	0283
Thrifty Cp	TFD	20.13	17.25	17.50	-2.63	-13.04	25.25	8.63	.01	-2.42	-.81	22.33	1.13	.21 F	22.8	18.0	1.9	15.5	.46	2.6	11-03-83	1187.8	22.5	1.5	5.62	6.14	0882
Walgreen Co	WAG	39.13	37.75	38.25	.00	.00	40.38	26.00	-.03	-1.00	-4.19	-17.92	2.24	.41 F	22.4	35.0	2.9	17.1	.72	1.9	11-04-83	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	25.50	23.63	24.00	-1.50	-5.88	39.50	23.63	-.43	-.98	2.32	-23.72	1.60	.24 Q	17.0	40.0	1.4	14.5	.32	1.3	10-26-83	1452.0	20.0	1.6	1.22	9.99	0683
McKesson Cp	MCK	40.38	37.88	39.88	.88	2.24	51.00	37.50	-.06	-.03	-2.34	-13.82	3.44	-.09 S	-2.5	5.0	1.6	11.5	2.40	6.0	11-25-83	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	24.00	22.50	24.00	.25	1.05	28.50	22.25	-.21	.48	2.60	51.54	.94	1.32 S	NC	99.0	.7	18.2	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	15.88	14.63	15.63	.63	4.17	17.81	10.09	-.33	-.65	-6.80	-63.30	.89	.49 S	106.5	112.0	.4	16.4	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	16.63	15.13	15.25	-1.00	-6.15	19.25	12.75	-.26	-.73	.50	4.25	.77	.18 N	16.3	5.0	.7	11.9	.32	2.1	12-09-83	211.4	1.5	2.8	10.55	9.76	1282
Spectro Indus	SPO	20.00	18.88	20.00	-.25	-1.23	28.75	16.50	-.13	.92	-2.99	28.42	1.35	.34 S	30.0	50.0	1.6	13.6	.14	.7	12-29-83	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	46.50	44.38	45.25	.63	1.40	53.38	36.13	.03	-.34	-3.04	-9.99	2.37	.44 N	19.4	26.0	11.1	16.8	1.00	2.2	01-09-84	2602.4	289.1	1.3	1.56	10.74	1282
Am Home Prod	AHP	50.38	49.00	49.63	.38	.76	54.25	41.75	-.21	-.28	-.35	-9.25	3.59	.39 N	11.1	16.0	12.2	12.8	2.40	4.8	11-03-83	4582.1	560.1	2.7	.00	11 83	1282
Baxter Travenol	BAX	23.25	22.13	23.25	1.25	5.68	31.31	20.00	-.23	.31	-3.49	11.43	1.22	.26 N	22.6	25.0	11.2	16.5	.28	1.2	11-18-83	1671.4	186.9	2.0	1.18	7.52	1282
Block Drugs Co	BLOCA	27.00	25.50	27.00	1.25	4.85	34.47	19.41	.10	1.01	-5.29	24.04	2.85	.40 S	15.3	14.0	9.7	9.0	1.00	3.7	11-25-83	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	43.75	41.63	42.25	.38	.90	47.88	31.19	-.11	-.19	-.21	5.50	2.59	.35 N	13.7	18.0	9.7	14.6	1.20	2.8	12-30-83	3599.9	348.7	2.3	.84	12.68	1282
Carter-Wallace	CAR	21.75	20.38	20.88	.50	2.45	29.00	17.75	.07	-.76	-.34	36.04	2.12	.50 S	28.4	38.0	5.7	9.2	.48	2.3	11-09-83	289.9	16.5	2.6	1.57	20.15	0383
Forest Labs	FRX	28.25	26.25	27.00	-.88	-3.14	40.75	18.13	-.39	-.67	3.68	-9.08	.48	-.08 S	-13.5	62.0	13.4	52.9	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	7.75	6.88	7.13	-.25	-3.39	15.25	6.63	-.78	-.43	1.75	36.54	.42	-.11 N	-27.5	38.0	7.8	24.6	.00	.0	00-00-00	38.7	3.0	1.8	.65	3.81	1182
Key Pharm	KPH	18.00	17.25	17.50	-.38	-2.10	25.94	13.59	-.06	-.05	-.56	-15.94	.34	.15 N	51.7	80.0	14.9	39.8	.13	.7	11-04-83	82.3	12.3	1.6	.03	1.14	1282
Lilly Eli Co	LLY	59.00	56.75	57.88	-.50	-.86	68.38	56.50	-.40	-.45	1.07	2.03	5.42	.62 N	11.8	13.0	13.9	9.9	2.90	5.0	02-08-84	2962.7	411.8	1.9	.65	27.10	1282
Lee Pharm	LPH	2.50	2.13	2.25	-.25	-10.00	4.38	2.00	-.75	-1.33	2.91	-5.78	-.49	.16 F	NE	-86.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	1.9	.46	1.98	0982
Marion Labs	MKC	39.25	37.25	38.75	.88	2.31	48.00	22.06	-.41	.13	2.30	20.14	.78	.33 Q	60.0	13.0	8.2	44.0	.40	1.0	12-14-83	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	93.00	87.00	90.38	-.38	-.41	104.63	81.75	-.29	.12	2.48	-49.08	5.61	.51 N	9.2	9.0	13.6	15.0	3.00	3.3	11-29-83	3063.0	415.1	2.1	4.56	29.81	1282
Morton Thiokol	MTI	77.75	75.88	76.75	.75	.99	80.50	49.38	-.04	-.19	1.73	13.43	5.15	1.45 Q	35.8	16.0	5.2	14.0	1.76	2.3	11-23-83	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	6.88	6.00	6.25	-.88	-12.28	11.38	5.25	1.05	-1.90	.20	15.22	-.03	.00 S	NE	19.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	36.50	34.50	35.75	.13	.35	44.75	33.56	-.27	.28	.33	-8.49	2.13	.58 N	28.5	15.0	9.6	13.7	1.32	3.7	01-26-84	3453.6	332.8	2.0	3.37	12.82	1282
Reid Prov Labs	REID	4.00	3.50	3.50	-.50	-12.50	6.09	1.69	.72	-1.57	-1.82	-29.53	.10	.07 Q	116.6	72.0	6.1	26.9	.05	1.4	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	22.75	21.00	22.13	.13	.57	29.38	16.00	-.28	.49	-6.41	-19.22	1.98	.51 N	27.4	19.0	10.1	9.3	.68	3.1	11-15-83	482.3	48.7	4.0	1.50	13.29	1282
Rorer Group	ROR	30.50	28.75	30.25	1.25	4.31	34.25	22.38	-.35	.29	-5.79	13.74	1.82	.15 N	8.3	12.0	9.0	15.6	1.08	3.6	11-03-83	402.4	36.3	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	17.63	16.50	16.63	-1.25	-6.99	29.63	16.50	-.28	-1.67	.12	44.51	1.13	-.25 S	-23.5	4.0	5.2	20.5	.32	1.9	12-07-83	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	44.63	41.75	43.88	1.00	2.33	55.88	34.75	-.93	-.12	.34	9.26	2.77	-.13 N	-5.1	25.0	13.5	18.4	.52	1.2	10-31-83	1036.9	140.4	2.2	4.10	13.32	1282
Squibb Corp	SQB	47.00	44.75	45.63	.50	1.11	55.63	38.25	-.23	-.67	-.23	25.19	3.01	1.69 N	111.9	2.0	9.2	14.3	1.44	3.2	11-14-83	1660.8	153.6	2.3	6.54	21.29	1282
Sterling Drug	STY	27.50	26.63	27.13	.50	1.88	29.63	22.13	-.08	.02	-1.39	-12.55	2.17	-.01 N	-.4	9.0	7.3	12.4	1.12	4.1	11-09-83	1796.2	132.0	2.8	1.19	14.16	1282
Syntex Corp	SYN	54.88	52.75	53.25	-1.25	-2.29	62.50	44.13	-.21	-.09	-3.28	18.26	4.30	.51 Q	12.9	40.0	17.2	12.0	1.40	2.6	11-03-83	870.2	149.3	2.2	1.11	17.03	0782
Thompson Med	TM	20.00	17.25	17.50	-2.00	-10.26	26.00	9.50	-.39	-1.97	-1.98	15.54	1.16	.48 N	43.2	69.0	12.7	11.0	.40	2.3	12-23-83	91.0	11.6	4.5	.00	4.53	1182
Upjohn Co	UPJ	59.25	55.88	59.25	2.75	4.87	68.75	46.25	.11	.19	-3.09	3.65	4.18	.10 N	2.0	5.0	6.9	11.9	2.56	4.3	01-03-84	1828.7	126.0	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	29.63	28.25	29.63	1.13	3.95	35.00	25.75	.10	.39	1.46	-1.14	2.05	.09 N	4.1	-3.0	5.0	13.0	1.48	5.0	10-31-83	3246.0	163.2	2.1	8.51	17.28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

* — Other than a quarterly multiple resulting from a fiscal year change.

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

• Special report:
Eye care products

PHARMACY

Ads, counseling boost sales of extended wear lens aids

New York—Despite longer wearing times, extended wear lenses still require periodic immersion in lens care solutions.

Retailers say they merchandise extended wear lens solutions by using point-of-sale ads and patient counseling to remind lens users that they need to treat their lenses just as carefully as if they were products they washed each day.

Although extended wear lenses remain on the eyes for as long as 30 days and nights, they still require cleaning and disinfecting with the same systems that are designed for daily contact lenses—either with heat or chemical solutions.

Many retailers prompt sales by reminding their customers that the buildup of surface deposits on extended wear lenses can be prevented by using a sterile saline solution mornings and evenings as an eyewash.

They also point out to shoppers that protein and other deposits from eye fluids build up on these lenses just as they do on contact lenses worn daily.

To prevent these deposits from accumulating and perhaps irritating the eye, retailers suggest that shoppers remove their lens periodically and wipe them with a surface cleaner or that they immerse them in a solution prepared with enzymatic cleaning tablets.

To relieve eye irritation, retailers instruct shoppers to apply a drop of lens lubricant or a sterile saline solution to the affected eye.

They also advise that the lens should be slid off the cornea onto the white of the eye for a few seconds. If irritation persists, the lens should be removed and examined for nicks, tears or punctures.

If there are no defects in the lens, wearers should rinse the lens in a sterile saline solution and then place it back over the eye.

If that doesn't solve the problem then it's time for the patient to consult his or her doctor.

Purchasers of contact lens solutions are typically upscale young white women.

Profile of a typical contact lens wearer

- 91% of all lens wearers are white
- 34% of all lens wearers live in the north central region of the United States.
- 28% of all lens wearers live in the South
- 20% of all lens wearers live in the Northeast
- 18% of all lens wearers live in the West
- 63% of all lens wearers are women
- 60% of all soft lens wearers are between 18 and 34 years of age.
- 50% of all lens wearers attended college.
- 50% of all lens wearers earn over $25,000 per year, and 18% earn $30,000 or more.

Source: *Drug Store News* survey

Leading eye care products by unit movement

1. **Visine** 0.5 oz., Leeming/Pacquin
2. **Saline solution** 8 oz., Bausch & Lomb
3. **Soflens tabs** 24s, Allergan
4. **Saline solution** 12 oz., Bausch & Lomb
5. **Hydrocare cleaning/disinfecting solution** 8 oz., Allergan
6. **Hydrocare saline solution** 8 oz., Allergan
7. **Wetting solution** 2 oz., Barnes-Hind
8. **Cleaning/disinfecting solution** 8 oz., Allergan
9. **Unisol 4 solution** 4 oz., Cooper Vision
10. **Flexcare Solution** 12 oz., Alcon
11. **Boil 'n Soak** 12 oz., Alcon
12. **Soaclens** 4 oz., Alcon
13. **Preflex** 1.5 oz., Alcon
14. **Daily cleaner** 1.5 oz., Bausch & Lomb
15. **Liquifilm wetting solution** 2 oz., Allergan
16. **Collyrium** 1.5 oz., Wyeth

Source: *Drug Store News* survey

Lens care products: % change in unit sales, 1983 vs. 1982

Product	% change
Total	+12%
Soft lens solutions	+21
Prepared salines	+32
Chemical disinfectants	+ 6
Daily cleaners	+16
Weekly cleaners	+15
Lubricants	+23
Hard lens solutions	−11
Soaking solution	−28
Saline/cleaner combos	−16
Conditioners	−27
Wetting solutions	− 7
Cleaning solution	−14
All purpose solution	−15

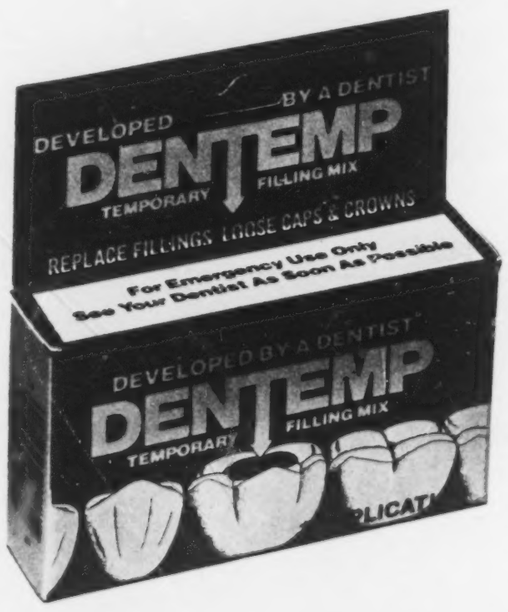
Source: Pipeline Research Inc.

Eye care merchandising

- Promote eye care products regularly, at least three times each month. Most chains feature two or more lens care systems in weekly newspaper and circular ads.
- Group products together by system—Bausch-Lomb, Allergan, Alcon/bp, Barnes Hind, Cooper Vision, Blairex, etc. This allows consumers to recognize the system initially recommended by their optometrist. Group other eye care products such as decongestants, washes, artificial tears and ointments by class.
- Don't stint on stock; eye care is among the highest contributors to sales per square foot. Contact lens solutions average $600 per square foot when merchandise in an 8-ft. section.
- Stock 85-90 sku's in a 6-ft. or an 8-ft. section. Large drug stores feature eye care in sections up to 40 linear feet. Bantam stores utilize sections of 20 to 24 linear feet.
- Price competitively. Although discounting exists it hasn't destroyed margins.

Eye care products are often featured in newspaper or circular ads at competitive price levels. These programs, a result of advertising co-op money available from manufacturers, make consumers aware of price and place availability for a variety of products.

If you have ever lost a filling or had a loose cap or crown, and couldn't get to your dentist immediately, even you might have suffered!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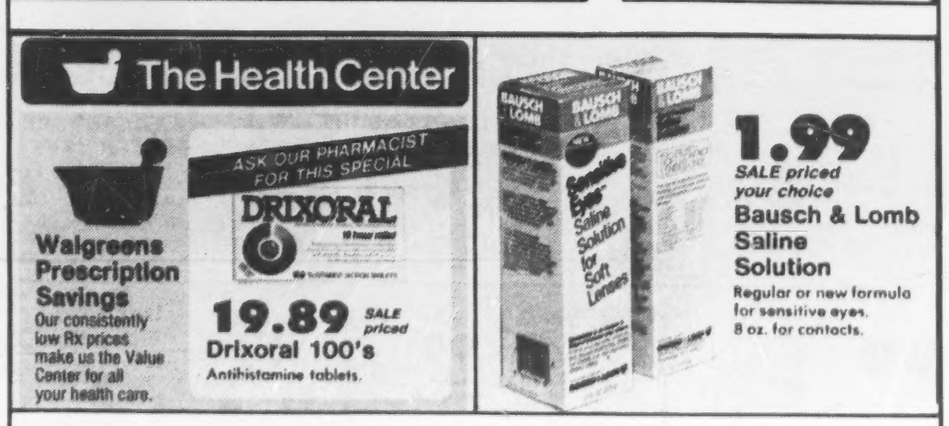
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Rite Aid scanners to eliminate item pricing

Continued from page 1
puterized scanning systems will probably pay for themselves in a little more than a year.

"We're pretty sure of our numbers. We researched this project for two years before we went into test and we're familiar with what the supermarkets have accomplished."

Ruble estimates that Rite Aid will be spending approximately $20,000 per store to put the new system in during the first phase of the rollout. "We won't be doing all our stores at once, obviously, and the way prices are coming down, it may cost us just $15,000 or even $10,000 for the system by the time that we finish."

Other drug chains have begun testing scanning, particularly within the last six months, but Rite Aid's approach to its new system seems to be unique.

Management has not elected to go with the traditional electronic cash registers that so many drug chains use for scanning. Instead they have opted to install microcomputers in their stores, at least one and possibly as many as three, and these computers will be used to drive the scanners.

This means that Rite Aid will not only be able to read the prices as items are passed in front of the scanner, but they will also be able to use the intelligence of their standalone computers to look up prices, to capture and sort movement data and to capture and sort administrative and payroll information.

Still to be determined is whether there will be one main computer that will handle both the pharmacy and the front end simultaneously with a second computer serving as back up or whether one computer will run the pharmacy, another the front end while still a third acts as back up.

"We're at the point of refining our options," says Ruble.

At any rate, the software system that Rite Aid is developing will operate on NCR's new 2126, machines that have been designed to meet the needs of low to moderate per store volume industries.

"The systems that supermarkets use are primarily for higher-volume stores" says Ruble, "and as a result, they are cost-prohibitive for us. Our system is comparable, but it works a little slower and it has to remember less information."

Rite Aid had been testing several varieties of scanners including the slot scanners so familiar in supermarkets, scanner guns and laser optics.

"We feel now," says Ruble, "that we're going to be using a combination of the gun and the slot scanners. The laser optics just didn't work for us. It wasn't that they misread the UPC code. It was that they couldn't read it."

Highlights

Currently Ruble estimates that approximately 85% of all the products in a Rite Aid store are UPC coded. That includes private label items, which are coded at the warehouse. By the time the system is rolled out chainwide, he thinks the percentages will be in the low to mid-90's. Already most high-velocity items are coded, he says. For the remaining items that are not coded, the chain plans to ring them up in the usual way.

In addition to pricing savings, scanners also help supermarkets realize a significant bottom line savings through increases in front end productivity, or through-put. However, because the average drug store transaction is so much smaller than a supermarket, Rite Aid doesn't feel as if it will enjoy the same advantages.

"In fact," says Ruble, "we worry about whether our through-put mightn't slow down a little."

As the configuration now stands, Ruble estimates that Rite Aid's complete computer scanner package may include the following: four scanners at the POS, a CPU in the pharmacy, a CPU in the manager's office and perhaps one more micro at some strategic point in the store.

'83 stocks show split personality

Continued from page 3
recovering from low profit margins in past years. Their recovery was magnified in the increase in their stock prices.

The most volatile performer was Dart, which increased from 31 at the beginning of 1983 to 148 before sinking to 63 at the end of the year.

Much of the midyear interest in Dart was generated by its spinoff of Trak Auto and Crown Books. When interest in the initial public offerings market declined, so did interest in Dart.

Thrifty, which also is involved in Trak and Crown, also benefited as its stock appreciated. But Crown and Trak have a much smaller effect on Thrifty's earnings. Thrifty finished the year 88% higher than its price at the beginning of the year.

The big question is whether 1984 will be more like the first half of 1983 or the second half of 1983. A lot may depend on interest rates. Since current stock prices reflect future earnings, a return to high inflation after the presidential election could send the stock market plummeting. However, increasing corporate profits as the recovery continues may send stock prices even higher.

Dan Barry, an analyst with Kidder Peabody, said the drug stocks are going through a period of consolidation that may continue through the first half of the year. Then he sees the stocks rising in the second half of the year as profits increase.

Bill Block, an analyst with Rosenkrantz and Ehrenkrantz, said he expects the drug chains to continue to post good earnings through 1984. "There will be some widening of the multiple," he said.

Those projections sound a lot like a repeat of the first half of 1983.

Genovese leads drug stocks

Company	Exchange	Price 12/31/83	% change
Adams	N.Y.	16⅝	77
American Str.	N.Y.	39⅝	83
Begley	OTC	17	66
Big B	OTC	13	104
Dart	OTC	63	51
Eckerd	N.Y.	27¾	13
Fays	N.Y.	13¼	110
Genovese	American	17⅜	200
Hook	OTC	29¾	86
Longs	N.Y.	48⅝	36
Pay Less	N.Y.	18⅛	27
Pay 'n Save	OTC	25⅛	94
Peoples	N.Y.	25½	34
Perry	N.Y.	16⅛	87
Revco	N.Y.	34⅝	28
Rite Aid	N.Y.	44½	44
Thrifty	N.Y.	17½	88
Walgreen	N.Y.	38¼	36

Source: *Drug Store News* research

Economy to spur construction

Continued from page 2
nance, has also seen an increase in activity among local developers. "The developers are getting back into the market," Jones said. He added that there has been a noticeable increase in strip shopping center construction in particular.

"When the rates went sky-high a few years back, developers were willing to build but the rent rates were just too high," Jones said. He noted that leasing rates have come down somewhat and at the same time the upturn in the economy has prompted some retailers to spend more for the sites than they were willing to in 1982 or 1983.

Background outlined

"We opened up 10 stores this past year and this year we're looking at opening 15," Jones said. "The economy is better and locations are available." But Jones said that new store construction is still a far cry from 1978 or 1979 when developers had an overabundance of sites from which to select.

Of the 15 new drug stores and two combination stores that Big B will open this year, two-thirds of them will be in strip shopping centers.

A spokesman for Revco, headquartered in Twinsburg, Ohio, said that the chain plans to open approximately 120 new stores in 1984, which represents a 10% to 15% increase over stores opened in 1983. An additional 20 existing stores will be either relocated or expanded.

However, the spokesman added that the continued availability of new store sites will hinge heavily on reasonable long-term financing rates.

At Jack Eckerd Corp., based in Clearwater, Fla., the company said that it will open at least as many new drug stores as it did in fiscal year 1983. Eckerd opened 81 new stores last year.

But the stronger economy may well be accelerating Eckerd's planned store openings. During the time marked by the end of its fiscal year July 29 and the end of calendar year 1983, Eckerd put 52 new stores online. During that same period in 1982, Eckerd opened 24 new stores.

The Deerfield, Ill.-based Walgreens also plans to open more stores this year than it did in 1983. The chain will add 80 stores in 1984. In 1983, it opened 67.

A spokesman for Walgreens said there is a "start of an upturn in the building of shopping centers," particularly in the Texas and Florida markets. The spokesman added that Walgreens will be able to plan more stores in shopping centers this year instead of opening free-standing units as it has done during the past few years.

Perry Drugs, headquartered in Pontiac, Mich., will respond to the economic expansion this year by opening a total of 40 new drug, auto/drug combo, auto parts and deep-discount drug stores. A spokesman for the chain said that no less than 15 of the new stores will be drug stores.

Different strategy

By contrast, Perry opened 19 new stores last year. They included five drug stores, two auto/drug combo stores, 10 Auto Works stores and two A.L. Price deep-discount units.

In addition to new strip center construction, a number of existing centers are being expanded. There also has been a marked increase in the number of off-price shopping centers. Many industry observers believe that the growth of off-price retailing will lead to a doubling of these types of centers this year.

Some drug chains have expressed interest in these types of centers. However, most retailers agree with David Panasci, vp of real estate at Fay's Drug Stores in New York, who says that while there "seems to be more interest" in off-price shopping centers, chains are still more inclined to consider the "location and tenant mix" before anything else. Panasci said that Fay's is operating one drug store in an off-price center and that it has been very successful thus far. In 1984, Fay's will open 19 stores, compared to nine stores in 1983, Panasci said.

Video shopping tests in California

Continued from page 3
screen.

At present, consumers can choose from some 125 items, but this number will increase to 350 starting February 1984. McKesson currently warehouses 35 of the items, but this inventory will also increase.

Nine of the 11 stores ship direct to the consumer's home; two (Shaw's and Bon Appetit) are shipped from McKesson's warehouse to the consumer. Eventually, more items will be shipped from McKesson's warehouse.

Retailers and other locations receive $100 per month or 5% of the gross sales—whichever is most—during the one-year trial period.

How does the terminal work?

When a customer approaches within 3 ft., a sonar detector triggers a 30-second "welcome" audiovisual message, explaining the video shopper.

The screen then asks, "Are you interested in hearing more?" If so, the customer enters a credit card (Master Charge, Visa or American Express) in a slot and touches a visual block 1½-in. square.

Inserting the credit card does not obligate the customer in any way. Its aim is to separate adults desiring information from children playing with the terminal.

The second audiovisual sequence provides such information as customer service, guarantees, delivery, names of vendors.

The system is interactive: Customers can get computer-generated answers to their questions. A computerized order-processing system, developed and operated by CompuFill, keeps track of all transactions, validates credit-card purchases and transmits orders to participating merchants.

Jim Belka, secretary-treasurer at Martinez, Calif.-based Valco Drug, said it was "a little premature" to evaluate the new shopping device. "The public is not totally ready to accept the concept," he said. "It would work better in an airline terminal or shopping mall, where people have more time to browse."

Although Valco is testing one terminal at present, Belka says there will be three or four additional installations in 1984.

Belka also notes that "people are hesitant about putting a credit card into a slot just to look at products. A typical response is, 'Oh, oh, I've signed up for something.'"

Chuck Mortensen, partner in Encina Drug in Walnut Creek said, after one week: "The concept is good. It should provide added sales. All items are guaranteed and customers are given full credit on returns."

But "returns" is one of the risks retailers will have to take, Mortensen believes. "As a convenience, the customer has the option of having the item shipped to his home or picking it up at the store where he ordered it. The retailer is not responsible for making good on complaints. But the situation is comparable to photo developing. If the photo developer messes up, the customer's concern is with us. So whether we like it or not, the retailer becomes a third party."

Mortensen believes sales will increase as more items are added. "Right now most are specialty items, with an average price of $35-$40. Things like flowers-by-wire, gourmet cookware, chocolate specialties [such as a chocolate shaped in the form of a life-sized woman's leg with garter for $75]."

Mortensen believes some items are too specialized and therefore have less sales potential. "For example, a ratchet-type torque wrench set which the average mechanic won't buy. What we need are small tools such as electric drills, and more durable goods. As for clothing, outdoor jackets in small, medium and large sizes are O.K., but clothing that needs fitting is not."

Mortensen conjectures that there may be other applications for ByVideo. "It could evolve into a Ticketron-type terminal or sell airplane tickets for short hauls. It is very flexible because the matrix printer prints by dot, and it will therefore print anything the computer hands it."

Read classified ads

States' search for new revenues will affect drug stores

Continued from page 3

into law by California's Governor last year, amends that state's existing polygraph statute to declare the results of lie detector tests inadmissable in criminal proceedings.

NACDS anticipates a new rash of restrictive polygraph bills this year, particularly in the heavily unionized North Central States.

At the same time, the chain drug association will be on the watch for other legislative issues on the state levels, including a number that began simmering last year.

• Look-alike drug restrictions—At least eight states from Arkansas to Alaska enacted legislation outlawing so-called "imitation controlled substances" during the '83 session, and similar measures are likely to surface in additional areas this year. Nevada's new law—which is typical of these bills—makes it a crime to manufacture, distribute, sell or possess with the intent to sell any non-controlled substance which appears to be, or is represented to be, a controlled drug.

• Antitampering legislation—Half a dozen new state antitampering laws took effect during '83, most of which establish severe criminal penalties for deliberately adulterating any drug or food product with the intent to cause bodily harm.

Maryland's new law, however, makes it a misdemeanor for shoppers to open any sealed package in a retail store (without approval from the management).

• Pharmacy practice and operations—Dozens of new state laws affecting the role of retail pharmacists cleared the legislatures last year and even more are expected during '84. Among the more significant: *Arkansas'* new requirement that out-of-state pharmacies can be licensed by the state pharmacy board before mailing any Rx drugs to Arkansas patients; *Arizona*'s law requiring that pharmacy records and inventories be made available for inspection by law enforcement.

Maryland's statute allowing state pharmacy board officials to revoke the licenses of pharmacists who submit false statements to collect a fee; *Mississippi*'s freshly rewritten Pharmacy Practices Act which now mandates continuing education and raises licensing fees; *Nebraska*'s new requirement that the state board of pharmacy examiners include at least three nonhospital pharmacists and one lay member.

New Hampshire's decision to replace the state's generic formulary with F.D.A.'s list of approved drugs with therapeutic equivalents; *Nevada*'s Pharmacy Act amendments permitting prescriber dispensing of Rx drugs; a separate *Nevada* law authorizing the pharmacy board to permit drug prescribing by certified registered nurses; *New York*'s new one-controlled-substance-per-Rx-form requirement.

Oklahoma's tough new five-year-to-life pharmacy robbery law; *Oregon*'s statute requiring pharmacists to explain the state-required generic substitution information sign to patients who appear unable to read.

Tennessee's measure making CE mandatory for relicensure effective next July, and *Virginia*'s new law obliging pharmacists to double-check with prescribers on suspicious Rxs.

Duane Reade plans to go public

Continued from page 1

Currently, their 21 stores average $5 million a year plus. Theoretically they only need another 18 to 19 stores to achieve their ambitious goal.

The remarkable accomplishment about Duane Reade stores, however, is their average sales per square foot: approximately 10 times the industry average. Their 4,000- to 5,000-sq.-ft., mostly downtown urban stores do an approximate $1,011 a year in annual sales per square foot.

In addition to being located in highly trafficked urban areas, easily accessible to hordes of office workers and shoppers, the Duane Reade stores typically feature the hottest prices in town.

The bulk of their merchandise is bought on deal. "We were discounting before anyone else in the industry ever thought of low-margin stores," says Eli Cohen.

"That's another reason why we decided to go public now. The off-price concept is hot. There are wholesale clubs and warehouse drug stores opening up all over the country. Some of the major chains are even testing the concept. Well, we've been perfecting that business for 25 years, and now it's time for us to take it in new directions."

With just 21 stores now open, the Cohens feel they have ample room to expand in the Metro New York market. "We're going to wait until after our prospectus is out," says Cohen, "and then we're going to elaborate on our plans."

Since Duane Reade has always been a private company, there has never been any formal estimate of its profitability. But insiders say that their profit numbers are way above anything the normal competition has to offer. "Our numbers could wipe you out," one source confided recently.

The best estimate from knowledgeable sources is that Duane Reade's after-tax profits as a per cent of sales exceed 6%.

Walgreens expands home health

Continued from page 1

In fact, Walgreens director of Health Services Bill Thien believes customers confidence in the Walgreen name will carry over to home health care purchases. "Walgreens' strength in retailing can make us the customer's natural outlet choice."

And, according to Thien, there will be a greater need for these items in the years to come. "Containment of health care costs is of paramount concern in this country," he explained. "High costs and reduced insurance benefits are causing people to leave hospitals earlier. This requires use of products at home which were traditionally found only in hospital settings."

Walgreens' units (which average 3,500 sq. ft. of selling space) carry a wide selection of hospital beds, wheelchairs and physical therapy equipment available for sale or rental. The units also carry a full line of ostomy, urological and incontinent products.

Although Walgreens has moved cautiously into this business, the chain is optimistic and has met with success in its first unit. Industry sources estimate that this type of store produces sales of $400,000 to $500,000 per year and an ROI in the 17% to 18% range. Although the figures don't rival the $2 million pumped out per drug store, the home health care business yields margins of 35% and up and is less inventory-intensive.

Besides its Home Medical Centers, Walgreens offers a selection of home health care in most drug stores. In addition, customers in every Walgreens market will soon be able to order products through a Home Medical Center catalog.

According to a Walgreens representative, the chain is considering more centers. However, industry sources report that Walgreens Home Medical Centers will continue to approach the expansion of home health centers in a slow and calculated manner.

"We are carefully evaluating the potential for expansion in the home health care field," chairman Charles R. Walgreen said.

Pay 'n Save to open two Price Savers

Continued from page 1

Since warehouse operators intend to deliver their products at the lowest cost in any market, they usually situate their stores on cheap properties, which tend to be in out-of-the-way locations.

That means these stores do not directly compete with drug stores, which rely on convenience as their main selling point.

The warehouse units also do not have pharmacies. The Price Savers Wholesale Club units concentrate on major appliances, housewares, hardware, tools, sporting goods, seasonal merchandise, tobacco products, baby needs, plants, stationery and office supplies, books and food products.

Most merchandise will be bought direct from manufacturers.

Many of the warehouse operator's customers are expected to be other businesses. In this situation, the wholesale club is acting as a regular wholesaler.

However, the stores also are expected to draw the ordinary customer who belongs to a group such as an employee credit union. Other groups are expected to be Government employees and employees at utilities and financial institutions.

Businesses that buy from the wholesale club will have to pay an annual membership fee and group members will be charged slightly higher prices instead of the annual fee.

Shopping will be done in a bare-bones environment of open-beamed ceilings and cement floors. Merchandise will be stacked on pallets, and advertising will be kept to a minimum to further reduce the costs of doing business.

Food stores gain H&BA

Continued from page 2

While drug store dollar sales for the 25 leading H&BA categories advanced modestly, unit movement actually fell by less than a percentage point to 289.4 million pieces. At the same time, unit movement for mass merchandisers increased a robust 12% to 176 million and food-store unit movement gained 8% to 554.8 million.

With unit movement flat, drug stores lost market share to both food stores and mass merchandisers. Drug stores dropped 1.8 percentage points, while food stores gained one percentage point and mass merchandisers the remainder.

In a year-to-year comparison of September-October performance in the four major H&BA categories—men's products, remedies, oral hygiene and women's products—drug stores gained in dollar sales for all four, but dropped in unit movement for the two biggest categories, women's products (down 1% to 105.5 million) and remedies (down 2% to 74.5 million).

In dollar sales, drug stores had the following gains: men's products, up 6% to $82.4 million; remedies, up 3% to $210.6 million; oral hygiene, up 1% to $52.3 million, and women's products, up 1%.

Pathmark expands Super Centers

Continued from page 3

during the meeting the formation of a capital expenditure budget of $110 million, which will be used for the construction of new super centers and freestanding drug stores. Included among the eight new Super Centers will be a new 58,000-sq.-ft. prototype. Until now, the largest Pathmark Super Centers have averaged 48,000 sq. ft.

Lieberman reiterated the company's commitment to the large store concept, saying that they are "outstanding producers of volume and profit." Pathmark operates 104 supermarkets and 75 of them are Super Centers. The Super Centers contributed 65% of the chain's overall total supermarket volume last year.

He also emphasized the importance of Pathmark's in-store pharmacies, of which there are 111. "In 1982, these pharmacies filled over six million prescriptions—a level of activity that qualifies Pathmark as one of the leading drug chains in the Northeast," Leiberman noted. He said that the chain's pharmacy business has grown at nearly a 20% annual rate over the past five years.

At the same time, he pointed to the sales productivity of the chain's freestanding drug stores. Lieberman said that Pathmark's Manhattan drug stores were generating $1,000 a year per square selling foot and that 25% of the freestanding units' volume was from prescription business.

Supermarkets General, which in addition to its supermarket and drug store divisions, also operates Rickel home centers and a chain of Howland-Steinbach-Hochschild department stores. The company recently reported net earnings for the third quarter ended Oct. 29 of 7.8 million, up 39% over the same period last year.

Third quarter sales were $880.5 million, an increase of 10% from $801.5 million in 1982. Net earnings per share were 44¢, a year-to-year improvement of 38%.

Year-to-date earnings at Supermarkets General totaled $27.1 million compared to $22.4 million in 1982. Sales for the first nine months of fiscal year 1983 were $2.6 billion, up 9% over the same period last year.

Sav-On Drugs opens store with huge food department

Continued from page 3

bles—are all grouped together on one side of a gondola.

Generic and private label store brands come from the Jewel warehouse in Orange County while national brands are purchased from Certified Grocers of Calif., a co-op.

The store measures 34,000 sq. ft. in total size with 24,000 sq. ft. of selling space. The typical Sav-On measures an overall 22,000 sq. ft. with some 18,000 sq. ft. of selling space.

The merchandising is fairly conventional. Advertised items, which consist of stables normally carried on the shelves, are stocked on gondola ends. Unsold ad items are returned to the everyday shelf after the ad period ends.

The store has two levels. Under Ralphs' ownership, the second floor had been leased to Zody's discount department store, but Zody's closed, so Sav-On plans to lease the space for office or retail facilities.

Peoples targets Baltimore

Continued from page 3

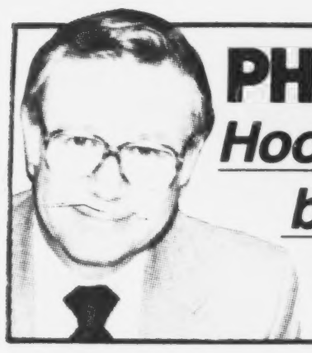
ditional ad dollars in Baltimore because advertising from the Washington market already overlaps into the Baltimore area.

Peoples, which currently has approximately 590 stores in 30 states, hopes to have 1,000 stores in operation by the end of 1990.

The chain is also carrying out a similar conversion strategy in Indianapolis, where it has 96 stores. Eighty of those stores were acquired when Peoples picked up the Haag chain in 1980. Now, however, all stores with the Haag name are being converted to Peoples.

Fantle hopes to achieve his growth plans by effectively "clustering" or filling in all the markets in which Peoples now operates. He then plans to spill over into "contiguous markets" so People's can perform with optimum visibility.

With a sufficient number of stores effectively dotted through its markets, Peoples can offer convenience service while simultaneously enjoying all the advantages that come from well-planned economies of scale.



PHARMACY

Hook's Keith Johns broadened by computer–p. 28

MERCHANDISER

New suncare items tied to cosmetics—p. 33

DRUG STORE NEWS

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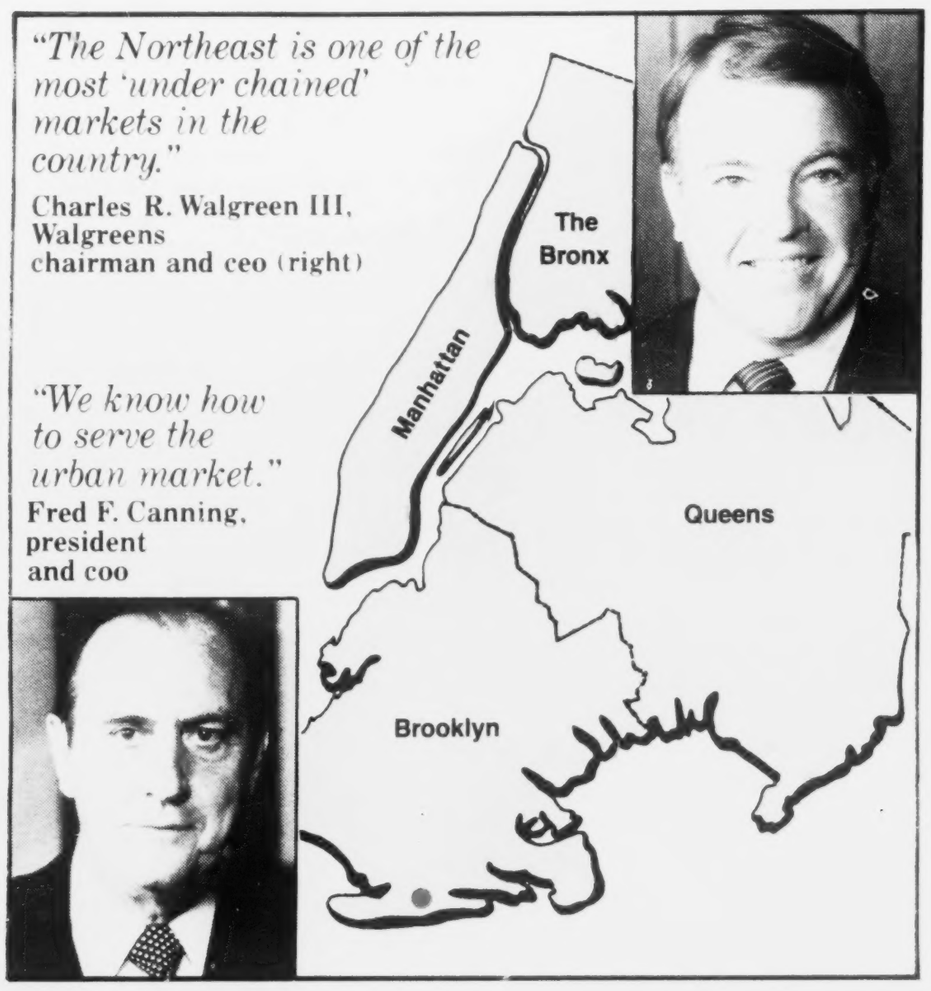
Walgreens readies new invasion of 'Big Apple'

"The Northeast is one of the most 'under chained' markets in the country."

Charles R. Walgreen III, Walgreens chairman and ceo (right)

"We know how to serve the urban market."

Fred F. Canning, president and coo



By Faye Brookman

DEERFIELD, Ill.—After a long retreat, Walgreens will renew its thrust into the $900 million New York City drug store market with one unit in Brooklyn and three more to follow in the boroughs of Queens and the Bronx.

The chain's first New York City launch in some two decades will take place in August in 8,000 sq. ft. of leased space in the Coney Island area of Brooklyn. The store will round out a shopping area that includes the Trump Village shopping center and a Waldbaum food store.

Chairman Charles R. Walgreen III and President Fred F. Canning announced the decision to a packed house of shareholders during the chain's annual meeting.

This is the first time in the past few years that the Deerfield, Ill.-based chain has set aside its winning strategy of expanding only in markets where it holds the No. 1 or No. 2 position.

But, as Walgreen told shareholders, the Northeast holds great growth potential because it is "one of the most underchained markets in the country."

While the move was unexpected, it did not shock Chicago-area operators who said it was "only natural" that Walgreens would want to re-establish a presence in the lucrative New York City market, considering its success in other urban areas.

Continued on page 50

Expansion brewing all over

CHICAGO—Walgreens has a heavy expansion plan on tap, in addition to the Big Apple, that calls for 80 new stores in fiscal 1984. The chain plans to add a minimum of 8% of additional selling space per year.

Besides Chicagoland, major expansions are planned for the San Francisco Bay Area (which will receive 11 stores), Milwaukee, St. Louis, Denver and the states of Texas and Florida. Texas and Florida have both been prime expansion markets over the past two years—at the end of 1981, Walgreens had 122 units in Texas compared with 142 now. Ninety-five stores were in Florida compared with 119 at the close of fiscal 1983.

Remodelings are also important in Walgreens' strategic plans. About 55 stores were remodeled in 1983 and 70 are slated for 1984 at a cost of $22 million.

FoxMeyer to acquire La.-based wholesaler

DALLAS—With the acquisition of I. L. Lyons & Co., a New Orleans-based drug wholesaler with estimated sales of more than $100 million, FoxMeyer Corp., headquartered here, has significantly extended its reach into the lucrative southeastern wholesale drug market.

In addition to increasing its sales base by more than 20%, the move will also provide the rapidly growing FoxMeyer with four more distribution centers.

When the acquisition is finalized during the first quarter of this year, William Tauscher, chairman of FoxMeyer will have achieved one of his primary objectives since taking the company public—namely a further penetration of the southeastern market. Lyons' principal areas of operations include Louisiana, Mississippi, Alabama, the Florida panhandle and parts of eastern Texas.

At the time of FoxMeyer's public offering in July last year, Tauscher indicated that the company would actively pursue new acquisitions in its existing operating region.

True to his word, in the months following the public offering FoxMeyer acquired three companies, including Lyons, doubled the number of its distribution centers and solidified its position as one of the major drug wholesalers in the Midwest and Southeast.

In September 1983, FoxMeyer purchased the Cincinnati Economy Drug Co. with sales of approximately $35 mil-

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To roll out wand/slot system

Pay 'n Save combines scanners

SEATTLE—After a 3½-month checkout scanning test combining both slot and handheld wand devices in a single store, Pay 'n Save this month will begin rolling out the system chainwide. Other chains have used one or the other device, but not both, in the same store.

A total of 12 stores in the Seattle area will be equipped by the end of the year. Chain execs estimate that it will take three to four years to complete stores in Washington, Oregon, Montana, Wyoming and California.

In the 30,000-sq.-ft. University Village test store, the chain used an NCR 2126 system involving six slot scanners at the central checkouts, plus one wand scanner in the cosmetics department, three wands in the camera department and one in pharmacy.

In addition, the chain was set to introduce on Feb. 15 the new backroom Tower computer, which is capable of producing shelf labels with UPC codes, updating price files and communicating with the mainframe computer at headquarters. It will replace a Decision Mate 5, which was used in the test.

Although slot scanners accounted for 90% of the transactions in the test, Dave Palmer, former pharmacy supervisor who is now special projects coordinator, said there were two reasons for using wands.

"One is the physical constraints of counter space in those three departments and two is in customer conve-

Continued on page 49

Dominick's uses Rx to hike margins

CHICAGO—Faced with stiff competition among food operators in its Chicago trade area, Dominick's food stores has decided to test the food/drug combo format as a method to hike gross margins.

The chain's first combo, a 63,000-sq.-ft. Dominick's Family Center, was unwrapped in November and is gaining favor with shoppers on the South Side of Chicago, according to Dominick's vp advertising Larry Nauman.

Patterned closely after the successful Jewel/Osco format, Dominick's is split about 80% food and 20% pharmacy and drug store merchandise. The store also resembles Giant Food and Pathmark superstores with a few new merchandise twists thrown in to differentiate Dominick's from other combos.

Continued on page 49

Dominick's new food/drug combo uses a different tack in cosmetics than the Jewel/Osco format. Shown here is the full-service bullpen area that features high-ticket fragrances.

Highlights

WALGREENS SALES UP

- Led by strong drug division gains, Walgreens sales for the first quarter increased 16.4%—p. 6.

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ACPE CONTINUING EDUCATION PROGRAM

The new human insulins—pp. 15-22.

FINANCIAL

Adams net leaps 43%

PAWTUCKET, R.I.—Adams Drug recorded a 42.6% increase in net earnings to $1.08 million for the third quarter ended Sept. 30.

Third quarter sales totaled $75.6 million, up 5% from the $72 million the chain generated during the same period in 1982. Earnings per share increased from 19¢ during the third quarter 1982 to 26¢ for the third quarter 1983.

Despite operating 36 fewer stores, Adams' nine-month sales for the current fiscal year 1983 were up 5.5% to $219 million from $207.5 million last year.

Year-to-date earnings were up 42.7% to $2.5 million from $1.8 million in the corresponding period a year ago.

Rix 1st qtr. sales increase 10.6%

AUBURNDALE, Mass.—Rix Corp. reported that sales for the first quarter ended Nov. 26 rose 10.6% to $8.8 million from $7.96 million in the comparable year-earlier period. Net earnings for the quarter fell to $10,700, or 2¢ a share, from $25,000, or 4¢ a share.

Drug Systems sales: $31.8M

MILWAUKEE—Drug Systems Inc. reported revenues of $31.8 million and net earnings of $646,000 for the two quarters ended Oct. 15.

This is the first earnings report since Drug Systems went public on July 26. The company is a combination of the White Drug chain and Wil-Car, which operates 27 retail and franchise H&BA units and is a wholesaler to approximately 300 independent retail stores.

1st qtr. ended Nov. 30

Walgreens sales rise 16.4%

DEERFIELD, Ill.—Led by strong gains in its drug store division, Walgreens' sales for the first quarter ended Nov. 30 increased 16.4% to $613 million.

Fred F. Canning, president, attributed the advances in drug store sales to "solid marketing strategies and excellent pharmacy performance."

For the quarter, net earnings reached $12.5 million, or 41¢ a share, from $9.6 million, or 31¢ a share, for the same year-earlier period.

Chairman Charles R. Walgreen III said that net earnings from United States operations, up 49.8% for the quarter, "indicated the company's ability to generate strong sales from an expanding store base, while maintaining firm control on expenses." The results also reflect a lower level of inflation. The LIFO charge for the first quarter this year was 7¢ per share, vs. 10¢ last year.

December sales for the chains were up $13.6% to $338.5 million. That increase came despite inclement weather in most of the company's markets, Walgreens reported.

Walgreen added, "A favorable sell-through of seasonal merchandise will aid profitability. We anticipate an excellent business climate in 1984, and a very successful year for Walgreens."

The drug store division is scheduled to open 80 new drug stores and remodel 70 in fiscal 1984. "Company expansion is on target," Walgreen said. "We will reach a company milestone this year when we open the 1,000th Walgreen drug store."

The chain also just launched two more of its Home Medical Centers bringing the company total to three. According to Walgreen, the chain is evaluating the potential for expansion in this field.

Growth plans for the company's food services include the addition of Wag's stores in Florida and Chicago. Walgreens concluded the year with a total of 1,043 units compared with 979 last year.

Rite Aid stock splits

SHIREMANSTOWN, Pa.—The Rite Aid Corp. board of directors approved a 2 for 1 stock split and a dividend increase, based on the old shares, to 20.5¢ per share from 16¢ per share. Both were payable Jan. 30 to shareholders of record on Jan. 16.

Perry leads chain stocks with 14% advance

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		12/30/83—1/16/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate			Indicated Dvd. Rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.		Profit Margin	Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Adams Drug	ADG	19.25	16.38	17.75	1.13	6.77	24.88	8.38	-.84	-.71	1.87	-26.82	1.12	.39 N	42.8	17.0	1.6	13.7	.04	.2	12-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	40.13	37.75	38.13	-1.50	-3.79	44.00	19.41	-.25	-.85	-.91	31.01	2.69	.87 N	35.2	44.0	1.2	11.4	.48	1.3	12-09-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	16.50	16.50	16.50	.00	.00	24.00	9.50	-.32	.12	-5.46	-80.00	1.47	1.27 S	NC	-12.0	1.4	13.0	.68	4.1	01-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	13.25	12.38	12.50	-.50	-3.85	14.50	7.25	-.09	-1.33	1.23	-22.28	.39	.12 N	34.2	25.0	2.9	26.6	.00	.0	09-21-83	87.4	2.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	67.00	64.00	64.00	1.00	1.59	148.00	29.75	.23	-.49	-5.46	43.48	5.43	6.32 N	207.2	67.0	3.1	6.8	.13	.2	12-06-83	291.8	9.1	2.0	12.01	28.91	0183
Eckerd, Jack	ECK	28.00	25.50	25.63	-2.13	-7.66	34.88	23.25	-.39	-.72	1.69	-26.73	1.91	.16 Q	8.8	4.0	3.1	13.1	.96	3.7	11-03-83	2325.0	71.7	2.0	30	15.17	0783
Fay's Drug	FAY	13.75	11.75	12.25	-1.00	-7.55	14.50	6.56	-.32	-2.03	2.43	24.52	.48	.13 N	31.7	32.0	2.0	22.7	.14	1.1	12-23-83	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	17.50	14.88	16.00	-1.38	-7.91	20.50	5.84	-.67	.60	2.07	-43.42	.67	.26 N	45.6	32.0	1.6	19.3	.20	1.3	12-28-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	29.25	28.50	28.75	-.50	-1.71	29.75	15.34	.01	.29	-4.49	-36.05	1.52	.73 N	55.7	10.0	2.3	14.1	1.00	3.5	01-09-84	285.2	6.6	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	49.75	46.63	47.63	-1.00	-2.06	50.13	34.00	.00	.22	-3.44	-6.39	2.92	.46 N	16.3	10.0	2.8	14.5	1.12	2.4	11-22-83	1123.2	30.9	1.8	.00	18.76	0183
Pay N Save	PAYN	26.75	23.00	23.00	-2.88	-11.11	28.75	16.44	-.45	-1.79	-4.28	20.50	1.52	.89 N	69.5	4.0	1.6	10.6	.56	2.4	11-17-83	1043.2	16.8	2.3	17.01	14.32	0183
Pay Less NW	PAY	18.00	17.00	17.13	-1.00	-5.52	20.19	12.25	-.21	-.09	-.90	-6.56	1.07	.21 N	21.2	.0	2.5	14.3	.27	1.6	03-19-84	784.7	19.4	2.0	5.26	6.07	0183
Peoples Drug	PDG	25.75	24.75	24.75	-.75	-2.94	31.75	16.50	.19	-.42	-2.32	-12.92	1.79	.40 F	28.7	23.0	1.7	13.8	.28	1.1	11-18-83	791.1	13.7	1.8	4.92	11.56	0983
Perry Drug	PDS	18.38	16.38	18.38	2.25	13.95	22.38	8.91	-.37	1.31	3.40	47.74	1.02	.29 F	39.7	7.0	1.6	18.0	.24	1.3	12-21-83	285.5	4.5	1.9	6.04	6.50	1082
Revco Drug	RDS	37.50	34.13	36.38	1.75	5.05	37.50	25.09	.39	-.23	-.05	-36.70	2.13	.53 S	29.9	24.0	3.7	15.8	.68	1.9	11-18-83	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	44.63	39.38	39.50	-5.00	-11.24	46.88	28.19	-.24	-.87	1.57	-18.64	2.37	1.23 N	85.4	26.0	3.9	14.8	.64	1.6	10-11-83	1294.7	49.9	1.7	1.17	12.38	0283
Thrifty Cp	TFD	19.00	16.00	16.38	-1.13	-6.43	25.25	8.63	-.61	-2.94	2.31	38.69	1.13	.21 F	22.8	18.0	1.9	14.5	.46	2.8	11-03-83	1187.8	22.5	1.5	5.62	6.14	0882
Walgreen Co	WAG	38.25	36.63	38.13	-.13	-.33	40.38	26.00	-.28	.98	.61	2.19	2.24	.46 Q	24.4	34.0	2.9	16.3	.72	1.9	11-04-83	2360.6	69.0	1.6	1.76	11.47	0683
Wholesaler's transactions																											
Bergen Bruns	BBCA	27.38	23.75	27.38	3.38	14.06	39.50	23.63	.00	1.37	.28	1.11	1.60	.24 Q	17.0	40.0	1.4	16.6	.32	1.2	10-26-83	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	44.25	39.63	41.50	1.63	4.08	51.00	37.50	.10	-.94	2.32	23.44	3.44	-.09 S	-2.5	5.0	1.6	12.0	2.40	5.8	11-25-83	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	26.75	24.00	25.75	1.75	7.29	28.50	22.25	.47	-.09	-1.56	-49.59	.94	1.32 S	NC	99.0	.7	19.5	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	20.25	15.38	20.00	4.38	28.00	20.25	10.09	.59	1.72	7.07	-41.18	.89	.49 S	106.5	112.0	.4	21.1	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	16.00	15.25	15.50	.25	1.64	19.25	12.75	-.36	.12	-4.00	10.00	.77	.18 N	16.3	5.0	.7	12.1	.32	2.1	12-09-83	211.4	1.5	2.8	10.55	9.76	1282
Spectro Indus	SPO	21.00	19.63	20.50	.50	2.50	28.75	17.00	-.14	.00	1.51	.60	1.35	.31 N	25.0	48.0	1.6	13.2	.14	.7	12-29-83	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	48.25	44.00	45.50	.25	.55	53.38	36.13	.11	-.72	-3.06	12.41	2.37	.44 N	19.4	26.0	11.1	16.9	1.00	2.2	01-09-84	2602.4	289.1	1.3	1.56	10.74	1282
Am Home Prod	AHP	51.25	49.38	50.75	1.13	2.27	54.25	41.75	-.09	.20	-.26	-13.21	3.59	.39 N	11.1	16.0	12.2	13.1	2.40	4.7	11-03-83	4582.1	560.1	2.7	.00	11.83	1282
Baxter Travenol	BAX	24.88	21.88	22.50	-.75	-3.23	31.31	20.00	.09	-1.10	-2.97	-11.24	1.22	.26 N	22.6	25.0	11.2	16.0	.28	1.2	11-18-83	1671.4	186.9	2.0	1.18	7.52	1282
Block Drugs Co	BLOCA	27.50	27.00	27.50	.50	1.85	34.47	20.88	.17	.13	-3.23	38.00	2.85	.40 S	15.3	14.0	9.7	9.1	1.00	3.6	11-25-83	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	45.13	42.13	45.13	2.88	6.80	47.88	31.19	.12	.75	1.18	7.42	2.59	.35 N	13.7	18.0	9.7	15.6	1.20	2.7	12-30-83	3599.9	348.7	2.3	.84	12.68	1282
Carter-Wallace	CAR	24.38	19.88	24.38	3.50	16.77	29.00	18.00	.15	2.48	6.41	.48	2.12	.50 S	28.4	38.0	5.7	10.8	.48	2.0	11-09-83	289.9	16.5	2.6	1.57	20.15	0383
Forest Labs	FRX	32.25	26.50	32.00	5.00	18.52	40.75	19.13	.25	.84	-.53	-5.76	.48	-.08 S	-13.5	62.0	13.4	62.7	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	7.75	6.88	7.00	-.13	-1.75	15.25	6.63	-.41	-.22	-4.01	-5.98	.42	-.11 N	-27.5	38.0	7.8	24.1	.00	.0	00-00-00	38.7	3.0	1.8	.65	3.81	1182
Key Pharm	KPH	20.25	17.75	19.75	2.25	12.86	25.94	13.59	.63	-.14	-3.71	-6.37	.34	.15 N	51.7	80.0	14.9	44.9	.13	.7	11-04-83	82.3	12.3	1.6	.03	1.14	1282
Lilly Eli Co	LLY	61.75	58.13	61.25	3.38	5.83	68.38	56.75	.05	-.04	-.60	12.35	5.42	.62 N	11.8	13.0	13.9	10.4	2.90	4.7	02-08-84	2962.7	411.8	1.9	.65	27.10	1282
Lee Pharm	LPH	2.75	2.25	2.50	.25	11.11	4.38	2.00	-.14	.00	.43	-10.68	-.49	.16 F	NE	-86.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	1.9	.46	1.98	0982
Marion Labs	MKC	41.00	37.25	39.00	.25	.65	48.00	22.06	-.08	.11	-4.48	8.56	.78	.33 Q	60.0	13.0	8.2	44.3	.40	1.0	12-14-83	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	91.88	88.00	89.75	-.63	-.69	104.63	81.75	-.24	.37	1.35	-5.88	5.61	.51 N	9.2	9.0	13.6	14.9	3.00	3.3	11-29-83	3063.0	415.1	2.1	4.56	29.81	1282
Morton Thiokol	MTI	83.00	76.25	81.25	4.50	5.86	83.00	52.75	.11	.08	1.79	-41.19	5.15	1.45 Q	35.8	16.0	5.2	14.8	1.76	2.2	11-23-83	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	7.25	6.00	6.88	.63	10.00	11.38	5.88	-.43	.68	-.61	-2.73	-.03	.00 S	NE	19.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	39.00	35.50	36.00	.25	.70	44.75	33.63	-.03	.26	-1.90	-11.98	2.13	.58 N	28.5	15.0	9.6	13.8	1.32	3.7	01-26-84	3453.6	332.8	2.0	3.37	12.82	1282
Reid Prov Labs	REID	3.75	3.50	3.50	.00	.00	6.09	1.75	-1.05	-1.85	-7.44	-8.80	.10	.07 Q	116.6	72.0	6.1	26.9	.05	1.4	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	23.25	22.00	22.88	.75	3.39	29.38	16.00	.07	.07	-.57	26.53	1.98	.51 N	27.4	19.0	10.1	9.7	.68	3.0	11-15-83	482.3	48.7	4.0	1.50	13.29	1282
Rorer Group	ROR	31.25	30.13	30.75	.50	1.65	34.25	22.38	-.17	-.22	-4.18	-13.41	1.82	.15 N	8.3	12.0	9.0	15.9	1.08	3.5	11-03-83	402.4	36.3	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	17.50	16.00	17.50	.88	5.26	29.63	16.00	-.41	.33	-1.75	-52.24	1.13	-.25 S	-23.5	4.0	5.2	21.6	.32	1.8	12-07-83	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	46.38	41.25	42.50	-1.38	-3.13	55.88	34.75	-.46	-1.97	-.29	14.43	2.77	-.13 N	-5.1	25.0	13.5	17.9	.52	1.2	10-31-83	1036.9	140.4	2.2	4.10	13.32	1282
Squibb Corp	SQB	47.38	43.38	45.13	-.50	-1.10	55.63	38.25	-.22	.35	2.80	5.82	3.01	1.69 N	111.9	2.0	9.2	14.1	1.44	3.2	11-14-83	1660.8	153.6	2.3	6.54	21.29	1282
Sterling Drug	STY	28.88	26.75	27.38	.25	.92	29.63	22.25	.04	-.83	-.73	-13.84	2.17	-.01 N	-.4	9.0	7.3	12.6	1.12	4.1	11-09-83	1796.2	132.0	2.8	1.19	14.16	1282
Syntex Corp	SYN	56.25	49.00	49.50	-3.75	-7.04	62.50	46.63	-.25	-2.54	4.70	28.76	4.30	.51 Q	12.9	40.0	17.2	11.1	1.40	2.8	11-03-83	870.2	149.3	2.2	1.11	17.03	0782
Thompson Med	TM	18.88	17.13	18.50	1.00	5.71	26.00	11.25	-.64	1.93	6.17	37.45	1.16	.48 N	43.2	69.0	12.7	11.6	.40	2.2	12-23-83	91.0	11.6	4.5	.00	4.53	1182
Upjohn Co	UPJ	62.38	58.38	61.13	1.88	3.16	68.75	49.25	.24	.09	2.28	-36.55	4.18	.10 N	2.0	5.0	6.9	12.2	2.56	4.2	01-03-84	1828.7	126.0	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	32.00	29.38	31.88	2.25	7.59	35.00	25.75	.35	.74	2.28	-25.59	2.05	.09 N	4.1	-3.0	5.0	14.0	1.48	4.6	10-31-83	3246.0	163.2	2.1	8.51	17.28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

* — Other than a quarterly multiple resulting from a fiscal year change.

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

MERCHANDISER

New suncare items to stress cosmetics

By Jim Ricchiuti

The suncare industry will attempt to top 1983's sizzling selling season by introducing a variety of new facial and specialty suntan products and by continuing to place a heavy emphasis on products with a high sun protection factor.

In recent years, many of the new products launched by the industry have had a decidedly cosmetic appeal, which is not surprising considering that the suncare market is made up almost entirely of women consumers.

Retailers have picked up on the industry's strategy and in addition to merchandising these products in the traditional endcaps and seasonal sections, some chains are now moving high ticket suncare products into available cosmetics department space.

At Kerr Drugs, based in Raleigh, N.C., buyer Johnny Kerr said the chain is strategically placing its high-end lotions in glass gondolas and on promotional shelving in the cosmetics department.

"We mass them around the cosmetics department and try to tie in just about everything you can think of with them," Kerr said.

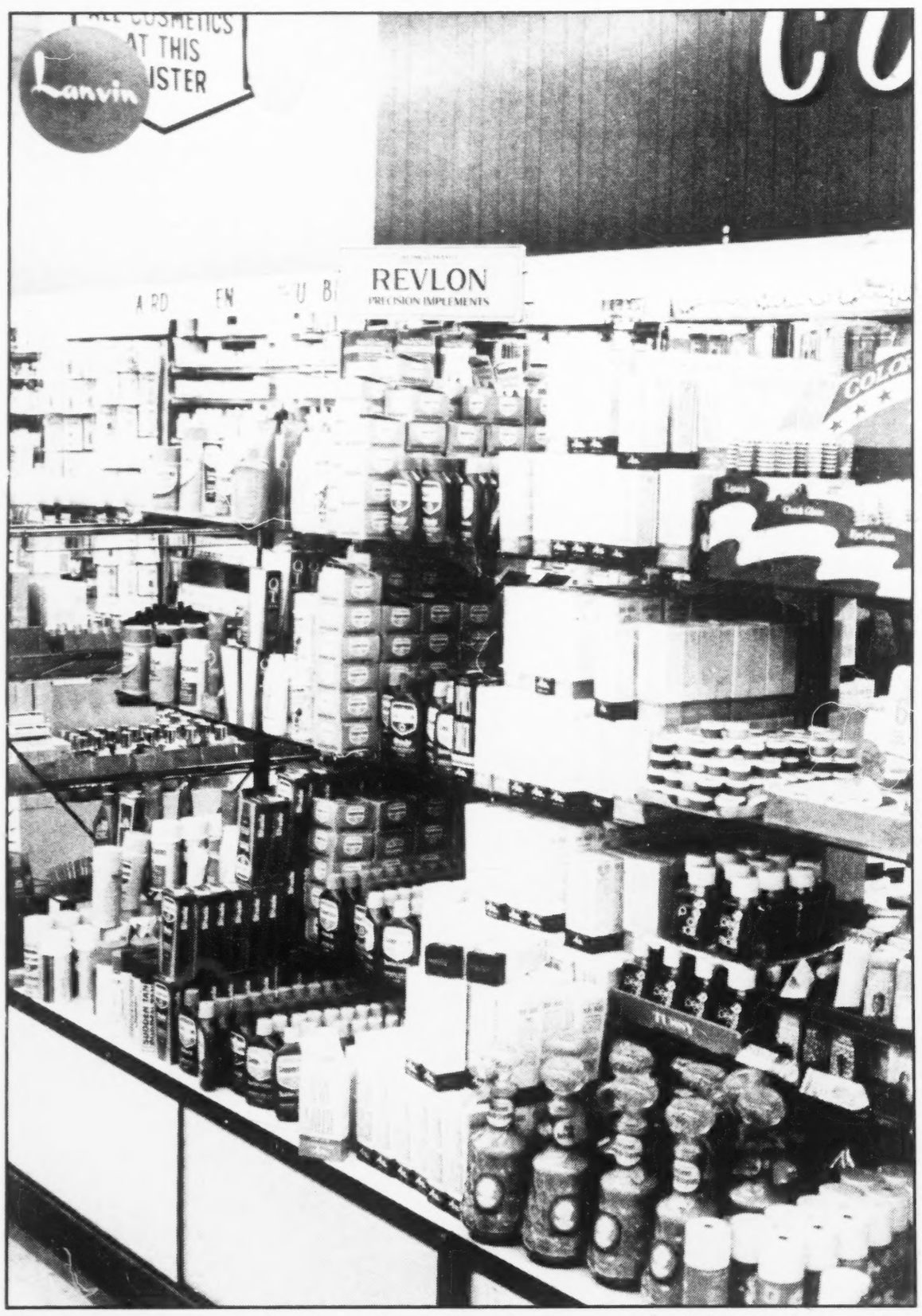
Among the notable products being introduced for the '84 season are a facial gel and a tanning spray oil from Charles of the Ritz, an Aloe Vera SPF 6 lotion and a waterproof SPF 15 block out lotion from Carter-Wallace, a new Tropical Blend product with a tequila fragrance and a reformulated lip protection product with an SPF of 15 from Plough and a water-resistant sunscreen lotion and a sunburn relief product with Aloe Vera from Tanning Research Laboratories.

Buyers surveyed by *Drug Store News* said that as with many of the new H&BA introductions, they will be cautious in their approach to the new suncare products. However, many drug retailers also pointed out that because the advertising dollars allocated to support these products are so heavily concentrated during the relatively short selling season, new products can often secure a high degree of brand awareness among consumers in a short time.

"Most of the lines are on a guaranteed sales basis, so there's not much risk," Kevin McGivne, buyer at Genovese Drugs, based in Melville, N.Y., also noted.

One product that created a great deal of interest last year in the South will be brought into more chains this year. Panama Jack, as the product is known, was one of the hottest items in the category last year, according to buyer Johnny Kerr. In much the same manner that Hawaiian Tropics was launched, Panama Jack was sold on the beaches of south Florida, the proving ground for many suntan products. A small sales force has been selling the product store to store along with Panama Jack T-shirts, and, according to a number of buyers, it has really taken off.

Continued on page 34



Retailers are increasingly integrating high-end suncare products into their cosmetics departments.

Sunglass market demands heavy promos

Nineteen eighty-four is shaping up to be a crucial year for the sunglasses category in chain drug stores, a year in which drug chains are going to have to promote more heavily if they are to combat the market share inroads by discount stores and supermarkets.

For the past few years sunglass sales have not been overly strong in drug stores. Many retailers have linked the poor showing to consumer buying resistance created by the recession.

However, with the economy running with considerable more steam, it would seem logical that drug retailers would enjoy a strong season. But statistics obtained from the A. C. Nielsen Company suggest the problems affecting the sunglass category in drug stores may be more complex than just a poor economy.

Figures compiled by Nielsen indicate that the two main retail outlets that are in direct competition for the low-end sunglasses market, which drug stores traditionally have been strongest in, showed substantial sales increases over 1982.

For the first 10 months of 1983, discount store sales of sunglasses were up an extraordinary 29% over the same period in 1982, according to Nielsen. And while the Chicago-based research company said that the increase may have been inflated somewhat by the addition of another discount chain to its sampling, the sales improvement is still quite significant.

The other main competitor in the low-end sunglasses market, supermarkets, scored a 5% sales gain during the first 10 months of 1983.

For drug stores, the news was anything but good. According to the Nielsen figures, chain and independent drug stores measured collectively showed no net sales gain at all from January to October last year over the same period in 1982. And chain drug stores fared only slightly better than independents. Chains recorded a 1% increase in sales.

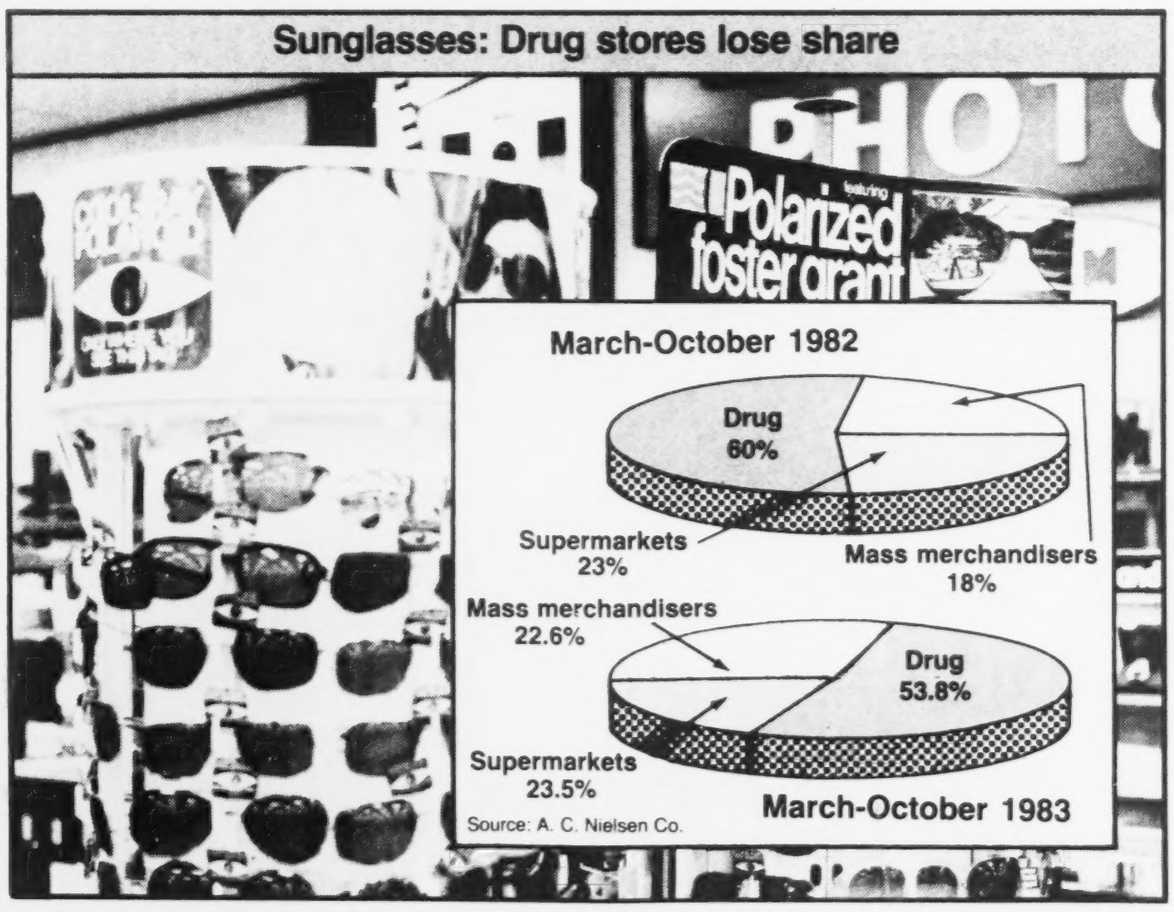
While drug stores are in no immediate danger of losing their dominance over supermarkets and discount stores, the increased competition is becoming a growing problem. In 1982, Nielsen reported that food stores and discount stores generated increases in market share. These increases have come at the expense of drug stores.

Drug stores in 1982 controlled approximately 60% of the low-end sunglasses market. Supermarkets generated an estimated 23% of the volume and mass merchandisers accounted for 18% of the market. However, these figures are certain to change after the inroads made by discount stores are considered this year.

What are discount stores doing that drug stores aren't? One industry source points out that they have been much more aggressive promotionally. But he sees drug chains changing their strategies this year. "Chains are going to promote earlier and more often this year to get a jump on the market."

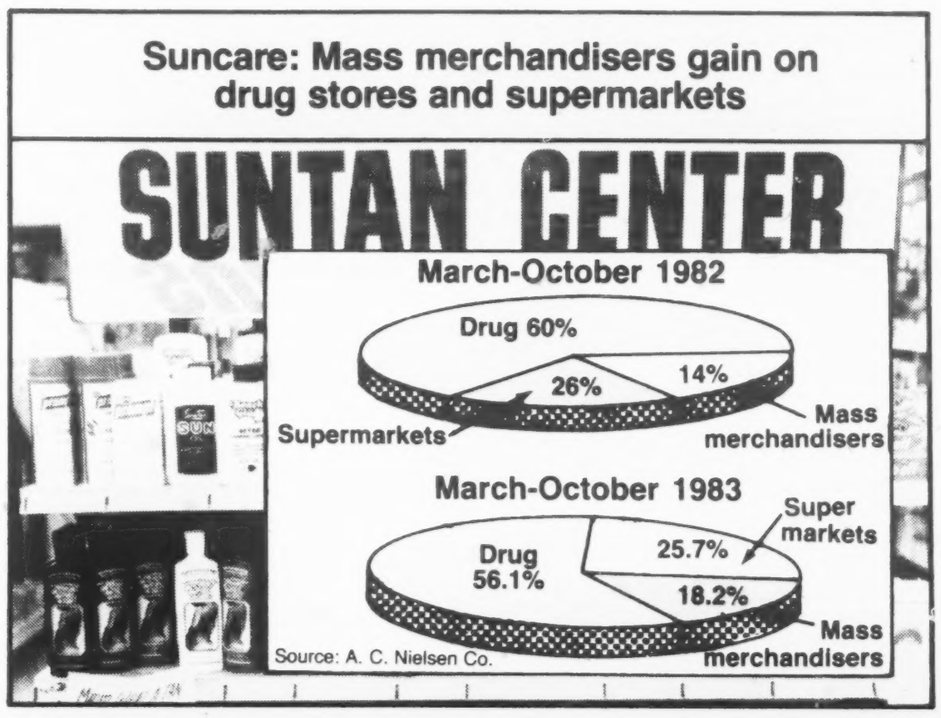
Most drug retailers would agree that they could do a better job with the sunglasses category. In some cases, chains have been spoiled by their past successes in the category. However, like a number of other "core" drug store categories, retailers are realizing that they will have to either become more competitive.

Continued on page 36



MERCHANDISER

New suncare products to emphasize cosmetics



Continued from page 33

Initially some buyers feared the vast number of line extensions in recent years would result in lines cannabalizing one another. However, few buyers believe this will happen now. The general consensus among buyers is that the suncare consumer is becoming increasingly sophisticated about the products on the market and is willing to purchase more than one.

Many chains now kick off the season by heavily promoting products that have a lower sun protection factor (SPF). As the season progresses, buyers said, they push the sun blocks more heavily. As one buyer at a major chain based in the South noted, "Anybody who has a tan by July isn't going to buy more suntan lotions, unless it's a sun block."

The rapid growth of the sun block category is still coming as a surprise to some chains. Several buyers reported that the unseasonably hot summer last year caused them to sell out products with higher SPF's much faster than they anticipated.

"Last year the sunscreen category really took off," said Nathan Roach, buyer at Medicare Glaser, based in St. Louis, Mo. "Sales increased dramatically over the year before. This year we're going to double the space we give the sunscreens."

At Lane Drugs, based in Toledo, Ohio, buyer Tom Sullivan noted, "Sun blocks are the real hot category right now.

"We're probably advertising the sun blocks more than we were four to five years ago," Sullivan continued. "We realize that it is a big part of the business today."

As successful as the suncare category was last year for many drug chains, several buyers reported that they are going to step up promotions and employ some different merchandising techniques this year.

"I think that there were a lot of things that we didn't do last year that we could have done to generate more interest," said Medicare Glaser's Roach. This year he said the chain will planogram its suncare endcap displays for the first time.

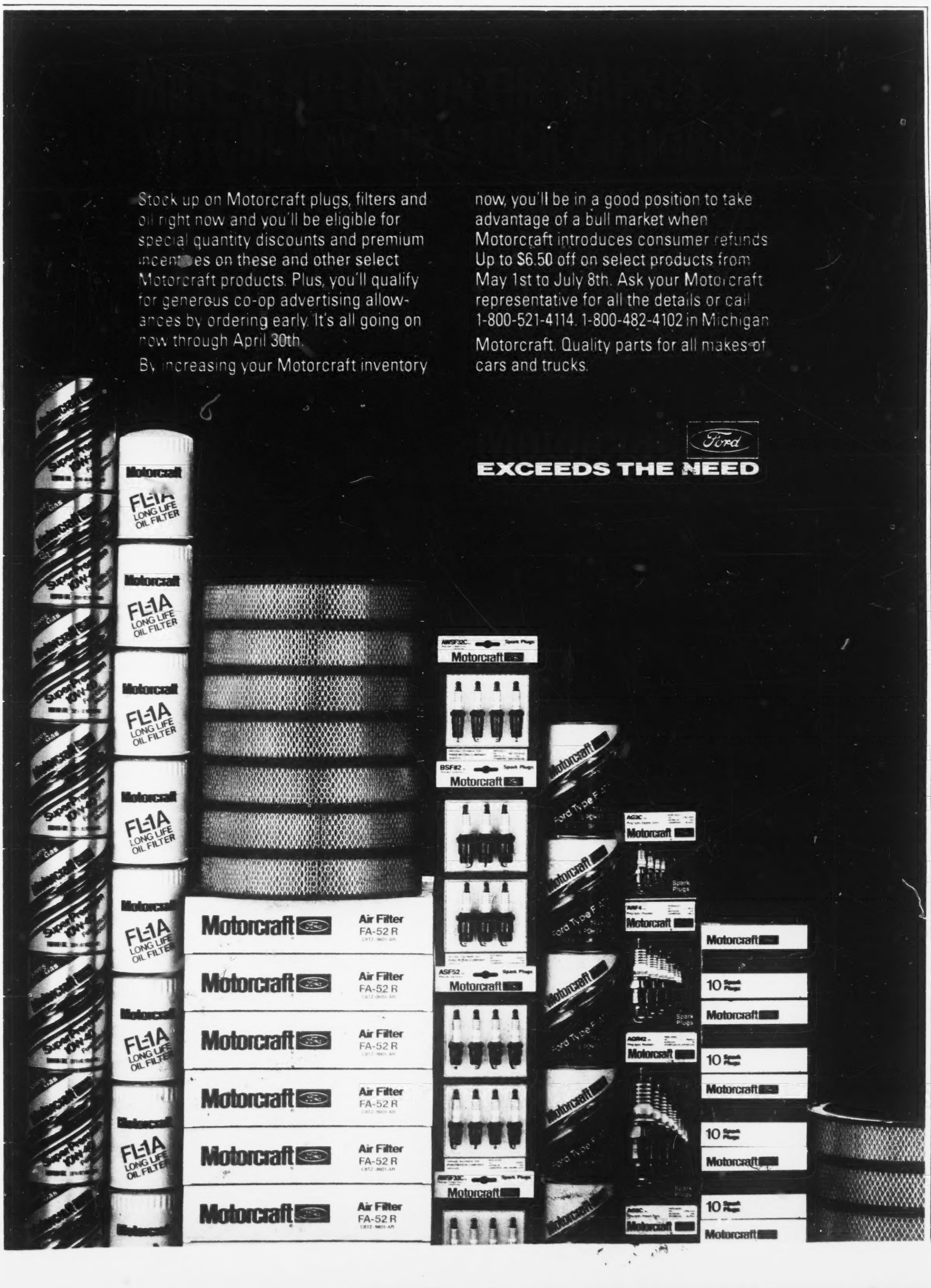
"One of the things we found last year was that every item could not be seen by the customer," Roach said. "By planogramming our endcaps we're going to make sure that every item has a home." He also said that the chain would use more small displays in key locations throughout the store to take advantage of impulse buys.

Melvin Vescopo, a buyer at Super D, based in Memphis, Tenn., will merchandise all of the chain's suncare products in one display this year. "The advantage of doing this is that you give the customer a selection of the whole line and it's not as hard for someone in the store to keep the section up," said Vescopo.

Some chains use store contests as a way of building sales in the category. Lane Drugs conducted a suntan contest in its Canton, Ohio, stores in conjunction with a local radio station and a suntan manufacturer. According to Sullivan, a contest serves as a useful "little promotion that seems to attract a lot of interest and gets people enthused about summer."

Lane also takes full advantage of co-op advertising dollars from manufacturers. "We had a real good advertising program last year and we were able to generate a lot of dollars in advertising money," Sullivan said. This year he said advertising for the suncare category "will be equal to if not a little more than last year."

Competition may also force drug chains this year to take a more aggressive position in pricing. Drug stores currently control approximately 60% of the market and sales have been growing at a rate of 7% a year, according to A. C. Nielsen. Supermarkets, while accounting for a much smaller 26% of the market, are experiencing suncare sales increases of 9% a year.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MERCHANDISER

Supermarkets, discount units make inroads in sunglasses

Continued from page 33

A number of drug chains are likely to compete more aggressively this year using strategies that include increased advertising and heavy discounting.

"Consumers are ready for price point sunglasses," says Bill Baxley, vp, marketing at Kerr Drugs, based in Raleigh, N.C. "For the average consumer, it's not the name on the glasses, it's the look and the price."

Baxley became convinced last year when the chain tested a limited assortment of no-name sunglasses at price points ranging from $2.99 to $5.99. The low-end glasses showed the biggest sales increases in the category.

In addition to price, most drug retailers consider service to be one of the most important elements in a sunglass program.

"You are just as strong as the people you have calling on you," notes a buyer for the Deerfield, Ill.-based Walgreens.

"The biggest fear among

many retailers is that the vendor is just going to load them up with product that isn't going to sell," said a buyer for a large southern-based drug chain.

Some chains such as Perry Drug Stores, based in Pontiac, Mich., have tried to solve service problems by going the direct import route. According to Dave Peterson, Perry's assistant vp of merchandising, the chain opted for a direct import program because it wanted to take advantage of the higher margins and to obtain tighter control over the sunglasses department, but primarily because the chain was unhappy with the service end of the supplier business.

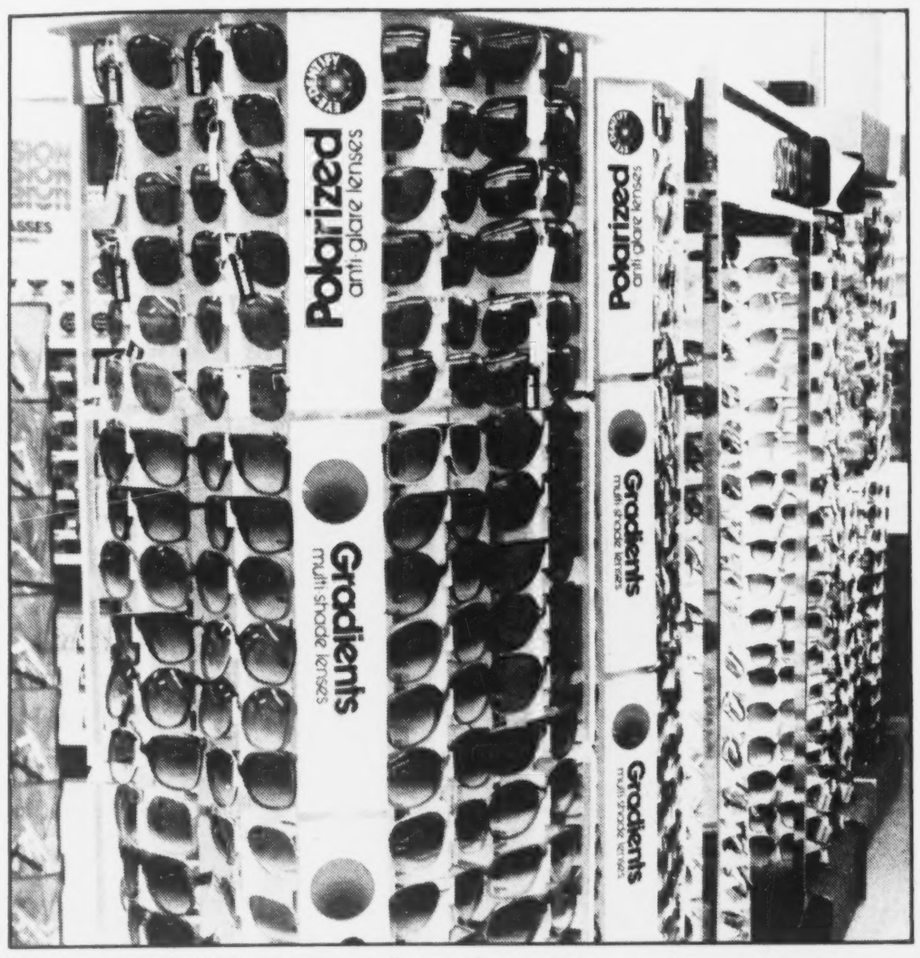
But there are risks inherent in a direct import program and retailers are well aware of them. Sunglasses have long been considered a fashion item, and consumers are fickle when it comes to fashion. What's in one year can just as easily be out the next.

A direct import program can also present maintenance problems at the store level. Traditionally, the sunglasses category has been one department in which store personnel have generally had little involvement. Before a direct import program can be successful a chain must get its store personnel to actively service the department, many retailers point out.

For the most part retailers say they are satisfied with the attempts made by many suppliers to improve their overall programs.

"They [the suppliers] are spending more time and effort servicing the stores," notes Tom Rosenthal, vp and merchandise manager at Standard Drug in Richmond, Va. Rosenthal said that Standard went back to a service program after warehousing sunglasses because of problems in getting employees to learn the business.

The improved service programs may also be the reason that fewer chains are changing suppliers. While there is still a tendency to go with different manufacturers to clean out old stock, a number of buyers said that they are staying with their current suppliers longer than they were a few years ago. In addition to improvements in service programs, buyers say they are more confident dealing with a company that they have been working with for a few years.



With margins that can range from 40% to 60%, sunglasses have been a valued item among drug retailers, but lately chains have been feeling the pressure from supermarkets and discount stores.

The Moisture Mac in a dried-

The Moisture Machine by L'Aimee Laboratories. 1984's hottest personal care product. A revolutionary moisturizing system that's proven incredibly successful in major test markets.

The Moisture Machine attaches to any standard showerhead in minutes. It applies two lotions through the shower when your pores are open and most receptive. First, a cleanser removes every trace of soap from your body. Then, a specially-formulated, non-oily, aloe-enriched moisturizer soothes and softens every inch of your skin.

Softening up a $100,000,000 market.

The potential market for The Moisture Machine is huge. Syndicated research shows that 91% of all women and 51% of all men, 117 million people, use some sort of moisturizing product.

In our concept tests, over 65% of the people exposed to the product said they would probably or definitely buy it. Projected annual national sales topped $100,000,000.

The Moisture Machine has proven enormously successful in New York, Cleveland, Miami, and Washington, D.C. during the Christmas season. Most accounts had to reorder frequently to keep up with the demand. And reorders continue to increase in the post-Christmas season, proving year-round demand for the product.

Everytime your customers shower, you clean up.

If the potential market for The Moisture Machine is huge, so is your profit potential. We offer exceptionally large profit margins to all our retailers.

And Moisture Machine profits don't stop with sales of the unit itself. Each machine you sell guarantees you

It really **works!** Money-back guarantee direct to your customers.

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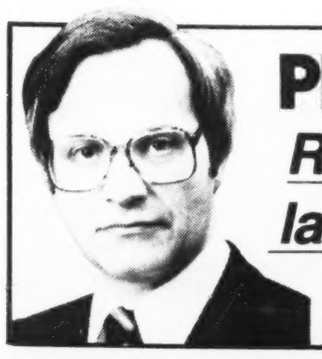

PHARMACY
Rutgers' Colaizzi launches new column—p. 67

MERCHANDISER
Chains stick to basics in toys—p. 11

DRUG STORE NEWS®

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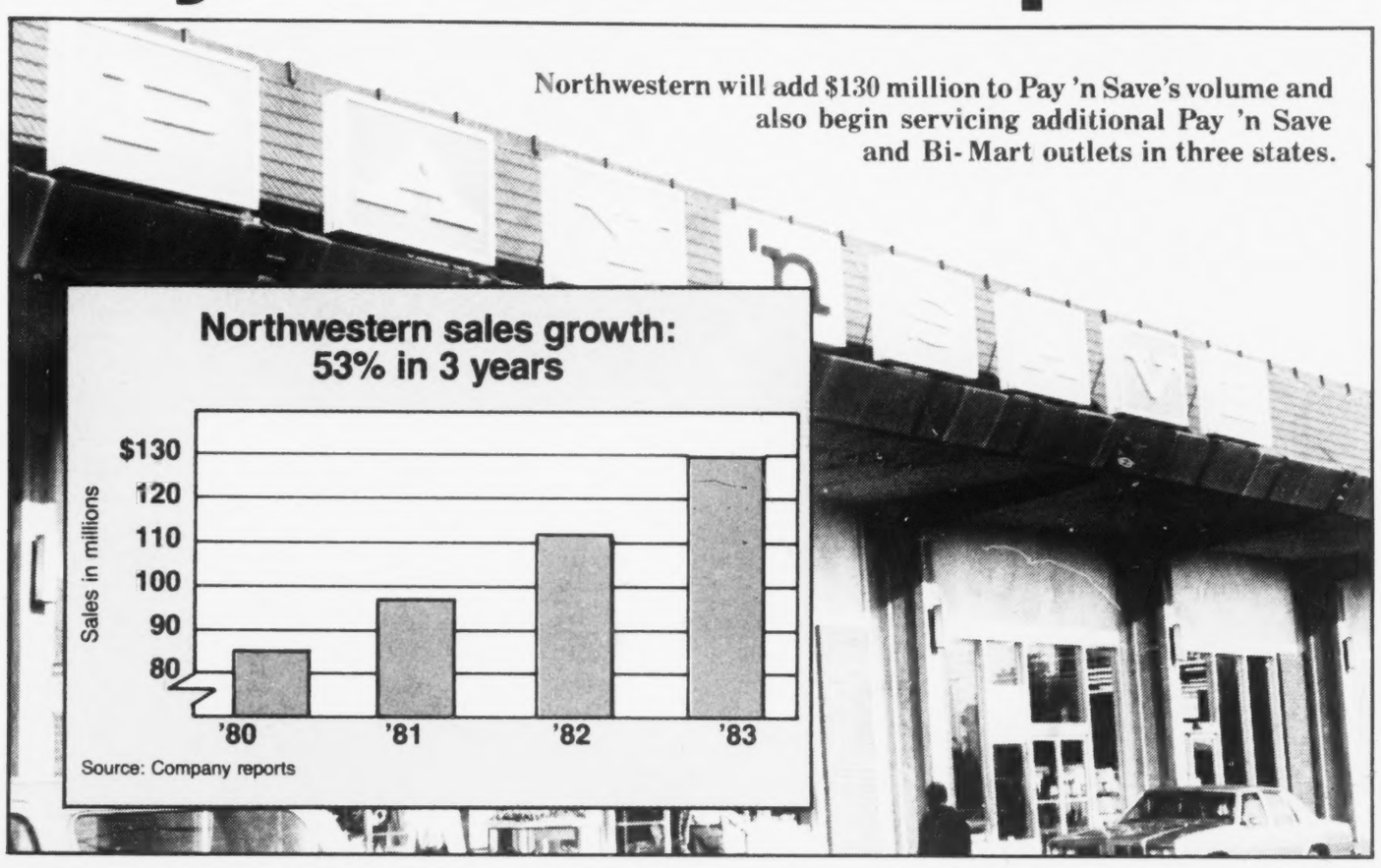
Pay 'n Save acquires Northwestern



Christy to replace Eads as prez

By Lou Karney

SEATTLE—Pay 'n Save, the industry's 13th largest drug chain, has just acquired Northwestern Drug, the largest drug wholesaler in the state of Washington.

Industry sources say that it is the first time that a major drug wholesaler has been purchased by a chain drug retailer. Pay 'n Save, which will operate Northwestern as a wholly owned subsidiary, paid between $3 million and $4 million to acquire the company. Last year Northwestern's sales totaled $130 million, up 30% from 1982.

Joe Christy, Pay 'n Save's vp/administration, will replace Ken Eads as president of Northwestern. Eads, who also owned Northwestern, will lease to Pay 'n Save a 258,000-sq.-ft. distribution center which he still owns. The lease is effective for the next 25 years.

Before the acquisition, Northwestern had supplied 22 Pay 'n Save drug stores plus five Bi-Mart's, Pay 'n Save's discount drug stores. Now that the acquisition is completed, Northwestern will begin servicing a total of 64 Pay 'n Save stores located in Washington and Idaho, plus all 32 Bi-Marts in Washington and Oregon.

Other Pay 'n Save operations based in California, Alaska and Hawaii will continue to be served by their local wholesalers because they are outside Northwestern's current distribution range.

Cal Hendricks, vice chairman of Pay 'n Save, said that the acquisition will give the Pay 'n Save store "more depth in lines and better in-stock conditions."

Eventually, said Hendricks, management will begin buying and distributing general hardware lines through Northwest-

Continued on page 85

Eckerd buys 11 Sav-On units

CLEARWATER, Fla.—The Jack Eckerd Corp. has increased its penetration of its Texas and Louisiana markets with the acquisition of 11 Sav-On and Osco drug stores from Jewel Companies.

The terms of the transaction were not disclosed.

Eight of the stores, which average 14,000 to 16,000 sq. ft. in size, are scattered around eastern Texas in smaller to medium-sized cities. In store count, Texas is second only to Florida among the 15 states in which Eckerd operates.

Two of the remaining stores are in Louisiana and one is in Lawton, Okla., close to Texas' northern border and about three hours from Eckerd's Dallas division distribution center in Garland, Tex.

Jewel's decision to sell the stores was based on the fact that they were too far away from the cluster of 11 Sav-On outlets in Houston, which Sav-On plans to retain. Ten of those units are superdrug stores and one a drug/home center combo.

"There was no network," said

Continued on page 86

Albertson's launches major drive on Dallas

DALLAS—Seven years after the breakup of the Skaggs-Albertson's combos, Albertson's will re-enter Dallas when construction begins on four 62,000-sq.-ft. food/drug combos later this spring.

It will mark the first time that the two retailers will operate in Dallas since Skaggs and Albertson's parted company in 1977 and Skaggs took full control of the combos there.

According to Robert Bolinder, Albertson's vice chairman and chief financial and administrative officer, the $3.9 billion-a-year food and drug retailers will open 12 food/drug combos over the next two years in Dallas and Fort Worth.

The Boise, Idaho-based chain has broken ground on two sites in the Plano and Richardson communities of northern

Continued on page 85

Late News

BASED ON THE TWO-YEAR SUCCESS of their joint spring show, Associated Chain Drug Stores and Affiliated Drug Stores will combine their fall show at the Omni Park Central Hotel (formerly the New York Sheraton). The new dates are Sept. 10, 11 and 12. The two New York-based buying groups may also add another floor of merchandise displays to their expanded show, which will feature H&BA, fragrances and general merchandise.

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CONTINUING EDUCATION PROGRAM

Major new drugs and indications summary—pp. 59-66.

Peoples to upgrade mid-Atlantic distribution

ALEXANDRIA, Va.—Peoples Drug Stores will break ground next month for a new $20 million, state-of-the-art distribution center in Fredericksburg, Va., Sheldon W. Fantle, president and ceo, told shareholders at the chain's annual meeting last month.

The new 500,000-sq.-ft. facility, which is scheduled for completion by mid-1985, will replace three distribution centers, one in Alexandria and two in Richmond, Va.

When it is fully operational, the center will service the mid-Atlantic region, which the chain projects will expand from its current 370-plus stores to as many as 500 by 1990.

Peoples is now doing a feasi-

Continued on page 85

Revco's Odd-Lot stores, such as this one in Oakland Park, Fla., provide substantially higher gross margins than other types of off-price retailing outlets.

"There will be a larger attack on the off-price retailing market niche."
Sidney Dworkin
President and ceo

Revco expands Odd-Lot, deep discount plans

NEW YORK—Revco, which has diversified into off-price retailing through a joint venture with Odd-Lot Trading and into deep drug discounting with an experiment called Get It For Less, is about to extend its commitment on both fronts.

President and ceo Sid Dworkin recently told a gathering of New York retail analysts that the Twinsburg, Ohio based chain will definitely open at least one and possibly two more Get It For Less stores later this year while simultaneously rolling out at least 25 more Odd-Lots.

Continued on page 85

FINANCIAL

Gain 25% in 3rd qtr.

McKesson profits rise

SAN FRANCISCO—The McKesson Corp. reported that net income for the third quarter ended Dec. 31 increased 25% to $22.3 million from $17.9 million in the corresponding year-earlier period. The results include the net gain from operations being discounted, including C. F. Mueller Co., which was sold in December.

Earnings per share rose 18% to $1.13 from 96¢.

Sales for the quarter, which also included results from operations being continued, increased to $1.1 billion from $1 billion, a 13% gain.

Revenues from the Drug & Health Group were up 16% for the quarter, according to McKesson, but operating profit fell 8% as a result of "margin pressures."

The company said McKesson Drug results were affected by "increased competition in some markets, the shift of a major drug chain customer from retail store deliveries to less profitable warehouse deliveries and smaller price increases in pharmaceutical and H&BA products."

For the first nine months of the fiscal year, net income increased 33% to $54.8 million from $41.3 million, while earnings per share rose 23% to $2.81 from $2.28.

Increased earnings

Revenues for the period gained 11% to $3.2 billion from $2.9 billion in the same year-earlier quarter.

In addition to C. F. Mueller, the company has announced plans to divest a number of other operations as part of its strategy to focus on Value-Added Distribution and selected proprietary products.

Pneumo '83 net gains 51%

BOSTON—Helped by a strong performance from its food/drug group, which includes Carls Drug, Pneumo Corp. posted a 51% increase in net earnings for the year ended Nov. 30, 1983.

Net profits for the company rose to $35.7 million, or $2.53 a share, from $23.6 million, or $1.69 a share, the previous year. Pneumo reported that the increase "resulted from higher sales, improved operating efficiences and increased interest income." Earnings per share were restated to reflect a 2-for-1 stock split in May 1983.

Sales for the year climbed 6% to $1.2 billion from $1.1 billion in fiscal 1982.

According to Gerard A. Fulham, chairman and ceo, the food/drug group, which also includes P&C Food Markets, Syracuse, N.Y., realized an 18% increase in operating profit and a 7% advance in sales.

While Pneumo's Aerospace/Industrial Group accounted for only 27% of corporate sales, it contributed 74% of operating profits.

"We are very pleased with Pneumo's performance in 1983, a period of many economic uncertainties," Fulham said. "Fiscal 1983 was the most productive year in the history of the company and a period in which the soundness of our business strategy was again confirmed."

According to Pneumo, return on average stockholders' equity increased to 25% from 22% in 1982, and stockholders' equity rose by 65% to a record level of $178.5 million.

In the fourth quarter, earnings rose 53% to $10.8 million from $7.1 million in the comparable 1982 period. Earnings per share were 74¢ compared to 52¢. Sales for the period increased to $322.8 million from $294.8 million.

In addition to operating Carls Drug, Rome, N.Y., and P&C, Pneumo designs and manufactures landing gear and flight controls for commercial and military aircraft.

Medicare-Glaser earnings up 19%

ST. LOUIS—Medicare-Glaser, the St. Louis-based retailer that went public last year, posted a 19% gain in net earnings for the third quarter ended Dec. 31, 1983. Net profits increased to $588,027, or 23¢ a share, from $494,165, or 21¢ a share, in the comparable year-earlier period. Sales for the quarter rose 3% to $20.6 million.

For the first nine months of the fiscal year, net earnings increased 11.8% to $989,555, or 40¢ a share, from $884,686 or 37¢ a share

Chain drug store stocks in broad decline

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		1/13/84—1/30/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
					Change		52-Week						Last Fiscal Year														
Name	Symbol	High	Low	Close	Amt.	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	17.75	14.00	14.00	-3.75	-21.13	24.88	8.63	-.86	-4.20	.88	49.84	1.12	.39 N	42.8	17.0	1.6	10.8	.04	.3	12-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	38.38	30.75	31.25	-7.00	-18.30	44.00	21.19	-.65	-2.43	5.78	13.00	2.69	.87 N	35.2	44.0	1.2	9.4	.48	1.5	12-09-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	16.50	16.50	16.50	.00	.00	24.00	9.50	-.18	.35	-3.92	50.00	1.47	1.27 S	NC	-12.0	1.4	13.0	.68	4.1	01-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	12.75	11.38	11.38	-1.13	-9.00	14.50	7.25	-.48	-.74	-2.57	-13.24	.39	.12 N	34.2	25.0	2.9	24.2	.00	.0	09-21-83	87.4	2.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	65.00	64.00	65.00	-1.00	-1.52	148.00	31.00	.17	.67	-3.59	-18.17	5.43	6.32 N	207.2	67.0	3.1	6.9	.13	.2	12-06-83	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	7.25	6.50	6.50	-1.00	-13.33	9.31	6.00	.03	-1.71	-5.19	22.27	.55	.58 S	NC	NC	2.6	11.2	.00	.0	01-25-84	26.7	.7	2.8	2.40	3.12	0383
Eckerd. Jack	ECK	27.00	25.50	25.63	-.13	-.49	34.88	23.63	-.28	-.73	-.47	20.75	1.91	.16 Q	8.8	4.0	3.1	13.1	.96	3.7	11-03-83	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	12.75	10.88	11.00	-1.50	-12.00	14.50	6.69	-.66	-1.72	2.70	27.57	.48	.13 N	31.7	32.0	2.0	20.4	.14	1.3	12-23-83	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	16.00	14.00	14.00	-2.00	-12.50	20.50	6.09	-1.02	-.18	1.34	7.95	.67	.26 N	45.6	32.0	1.6	16.9	.20	1.4	12-28-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	28.75	27.00	27.50	-1.25	-4.35	29.75	16.19	-.33	.64	-.67	11.94	1.52	.73 N	55.7	10.0	2.3	13.5	1.00	3.6	01-09-84	285.2	6.6	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	48.38	46.13	47.38	-.38	-.79	50.13	37.50	-.06	.36	-1.10	18.17	2.92	.46 N	16.3	10.0	2.8	14.4	1.12	2.4	11-22-83	1123.2	30.9	1.8	.00	18.76	0183
Pay N Save	PAYN	23.88	20.00	20.00	-4.00	-16.67	28.75	16.81	-.67	-3.30	4.28	18.57	1.52	.89 N	69.5	4.0	1.6	9.2	.56	2.8	11-17-83	1043.2	16.8	2.3	17.01	14.32	0183
Pay Less NW	PAY	17.38	16.00	16.50	-.63	-3.65	20.19	13.19	-.38	.27	.86	3.16	1.07	.21 N	21.2	.0	2.5	13.8	.27	1.6	03-19-84	784.7	19.4	2.0	5.26	6.07	0183
Peoples Drug	PDG	25.25	23.75	24.13	-.88	-3.50	31.75	18.19	-.15	.56	-4.76	6.67	1.79	.40 F	28.7	23.0	1.7	13.5	.28	1.2	11-18-83	791.1	13.7	1.8	4.92	11.56	0983
Perry Drug	PDS	18.50	17.25	17.25	-.88	-4.83	22.38	9.16	-.12	-.29	1.72	-20.75	1.02	.29 F	39.7	7.0	1.6	16.9	.24	1.4	12-21-83	285.5	4.5	1.9	6.04	6.50	1082
Revco Drug	RDS	36.75	31.38	32.63	-3.63	-10.00	37.50	25.09	-.18	.33	-.27	-6.73	2.13	.53 S	29.9	24.0	3.7	14.2	.68	2.1	11-18-83	1792.8	56.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	19.81	18.00	18.50	-1.38	-6.92	23.44	15.63	-.51	.38	.67	13.16	1.19	.61 N	83.5	26.0	3.9	13.8	.64	3.5	10-11-83	1294.7	49.9	1.7	.59	6.19	0283
Thrifty Cp	TFD	17.13	14.75	14.88	-2.25	-13.14	25.25	9.94	-1.04	-1.35	4.07	-20.58	1.13	.21 F	22.8	18.0	1.9	13.2	.46	3.1	11-03-83	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	38.38	35.25	35.25	-2.50	-6.62	40.38	26.50	-.25	-1.28	2.45	-.81	2.24	.46 Q	24.4	34.0	2.9	15.1	.72	2.0	02-10-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Brunswig	BBCA	27.63	23.00	24.00	-3.25	-11.93	39.50	23.00	.01	-1.16	-3.85	58.06	1.60	.24 Q	17.0	40.0	1.4	14.5	.32	1.3	01-26-84	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	41.88	40.50	40.88	-.88	-2.10	51.00	37.50	.16	.06	-1.56	45.48	3.44	-.09 S	-2.5	5.0	1.6	11.8	2.40	5.9	11-25-83	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	25.75	25.00	25.00	-1.00	-3.85	28.50	22.25	.31	.34	-1.03	-37.37	.94	1.32 S	NC	99.0	.7	18.9	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	21.00	17.63	17.63	-2.00	-10.19	21.00	10.09	1.14	-2.65	3.70	1.74	.89	.49 S	106.5	112.0	.4	18.6	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	15.50	14.75	15.25	-.75	-4.69	19.25	12.75	-.25	-.13	3.76	33.09	.77	.18 N	16.3	5.0	.7	11.9	.32	2.1	12-09-83	211.4	1.5	2.8	10.55	9.76	1282
Spectro Indus	SPO	22.00	19.75	19.88	-1.00	-4.79	28.75	17.00	.20	-.09	1.25	-9.06	1.35	.31 N	25.0	48.0	1.6	12.8	.14	.7	12-29-83	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	46.63	43.50	43.63	-1.00	-2.24	53.38	36.13	-.14	-.29	.94	-.25	2.86	.49 F	20.6	28.0	11.9	15.3	1.00	2.3	01-09-84	2927.9	347.6	1.3	1.56	10.74	1282
Am Home Prod	AHP	52.13	50.50	51.38	.75	1.48	54.25	41.75	.07	.70	.36	20.99	4.00	.41 F	11.4	17.0	12.9	12.8	2.64	5.1	02-06-84	4856.5	627.2	2.7	.00	11.83	1282
Baxter Travenol	BAX	22.75	20.50	21.00	-1.38	-6.15	31.31	20.00	-.35	-.23	1.42	-1.40	1.22	.26 N	22.6	25.0	11.2	14.9	.28	1.3	11-18-83	1671.4	186.9	2.0	1.18	7.52	1282
Block Drugs Co	BLOCA	27.75	27.50	27.75	.25	.91	34.47	20.88	.26	.35	-2.20	-15.38	2.85	.40 S	15.3	14.0	9.7	9.2	1.00	3.6	11-25-83	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	45.63	43.38	43.75	-.63	-1.41	47.88	31.19	.12	.28	-1.07	-3.17	2.59	.35 N	13.7	18.0	9.7	15.1	1.20	2.7	12-30-83	3599.9	348.7	2.3	.84	12.68	1282
Carter-Wallace	CAR	25.75	22.75	24.00	1.25	5.49	29.00	18.00	.69	.05	5.75	-38.93	2.12	.50 S	28.4	38.0	5.7	10.6	.48	2.0	11-09-83	289.9	16.5	2.6	1.57	20.15	0383
Forest Labs	FRX	32.25	27.13	27.13	-4.63	-14.57	40.75	23.13	.39	-2.54	-4.63	-32.37	.48	-.08 S	-13.5	62.0	13.4	53.2	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	7.50	6.75	7.00	-.13	-1.75	15.25	6.63	-.12	.04	-3.29	-9.90	.42	-.11 N	-27.5	38.0	7.8	24.1	.00	.0	00-00-00	38.7	3.0	1.8	.65	3.81	1182
Key Pharm	KPH	20.00	17.38	17.38	-2.63	-13.13	25.94	13.59	.17	-1.36	-3.76	-13.01	.34	.15 N	51.7	80.0	14.9	39.5	.13	.7	11-04-83	82.3	12.3	1.6	.03	1.14	1282
Lilly Eli Co	LLY	62.75	60.25	62.13	1.75	2.90	68.38	56.75	.21	.40	-2.79	-14.13	5.42	.62 N	11.8	13.0	13.9	10.6	2.90	4.7	02-08-84	2962.7	411.8	1.9	.65	27.10	1282
Lee Pharm	LPH	2.63	2.25	2.63	.13	5.00	4.38	2.00	-.01	3.17	.23	42.26	-.49	.16 F	NE	-86.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	1.9	.46	1.98	0982
Marion Labs	MKC	39.75	31.25	31.50	-7.50	-19.23	48.00	22.63	-.30	-2.78	1.70	-5.09	.78	.43 S	72.8	15.0	8.2	30.9	.40	1.3	12-14-83	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	91.00	88.38	89.00	-.38	-.42	104.63	81.75	-.14	.53	-.78	-25.98	5.61	.51 N	9.2	9.0	13.6	14.8	3.00	3.4	11-29-83	3063.0	415.1	2.1	4.56	29.81	1282
Morton Thiokol	MTI	83.38	77.25	77.38	-4.63	-5.64	83.38	52.75	.16	-.22	-.60	14.99	5.15	1.09 S	23.1	17.0	5.2	13.3	1.76	2.3	11-23-83	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	7.13	6.00	6.13	-1.00	-14.04	11.38	5.88	-.11	-1.21	-4.08	-11.35	-.03	.00 S	NE	19.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	38.13	35.13	35.63	-.38	-1.04	44.75	33.63	.04	-.74	.36	-13.14	2.73	.62 F	29.3	17.0	11.9	13.0	1.32	3.7	01-26-84	3750.0	447.1	2.0	3.37	12.82	1282
Reid Prov Labs	REID	3.50	3.25	3.25	-.25	-7.14	6.09	1.75	-.64	.28	-2.44	39.84	.10	.06 S	85.7	64.0	6.1	25.0	.05	1.5	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	23.25	18.63	18.75	-4.13	-18.03	29.38	17.13	-.34	-3.42	4.12	32.55	1.98	.51 N	27.4	19.0	10.1	7.9	.68	3.6	02-03-84	482.3	48.7	4.0	1.50	13.29	1282
Rorer Group	ROR	30.75	28.25	28.25	-2.13	-7.00	34.25	22.88	-.09	-.63	-1.67	.87	1.82	.15 N	8.3	12.0	9.0	14.6	1.08	3.8	11-03-83	402.4	36.3	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	17.63	15.50	15.63	-1.75	-10.07	29.63	15.50	-.34	-.20	2.25	-58.65	1.13	-.25 S	-23.5	4.0	5.2	19.3	.32	2.0	12-07-83	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	46.25	41.75	44.88	2.75	6.53	55.88	34.75	.08	.65	1.74	-18.87	2.77	-.13 N	-5.1	25.0	13.5	18.9	.52	1.2	10-31-83	1036.9	140.4	2.2	4.10	13.32	1282
Squibb Corp	SQB	48.38	44.38	45.75	2.38	5.35	55.63	38.25	.08	-.09	2.67	-31.11	3.01	1.69 N	111.9	2.0	9.2	14.6	1.44	3.1	11-14-83	1660.8	153.6	2.3	6.54	21.29	1282
Sterling Drug	STY	27.75	24.75	25.50	-2.13	-7.69	29.63	22.75	-.19	-.18	4.99	-17.44	2.17	-.01 N	-.4	9.0	7.3	11.7	1.12	4.4	11-09-83	1796.2	132.0	2.8	1.19	14.16	1282
Syntex Corp	SYN	50.25	46.50	47.25	-2.75	-5.50	62.50	46.50	-.52	-.78	3.66	14.93	4.30	.51 Q	12.9	40.0	17.2	10.6	1.40	3.0	11-03-83	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	18.75	16.00	17.75	-.63	-3.40	26.00	12.50	-.30	-.60	4.68	-.07	1.16	.48 N	43.2	69.0	12.7	11.2	.40	2.3	12-23-83	91.0	11.6	4.5	.00	4.53	1182
Upjohn Co	UPJ	61.25	56.25	56.50	-4.50	-7.38	68.75	59.63	.05	-1.06	-.93	-9.42	4.18	.10 N	2.0	5.0	6.9	11.3	2.56	4.5	01-03-84	1828.7	126.0	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	33.25	30.63	30.88	-.63	-1.98	35.00	26.38	.39	-.59	-1.21	-20.01	2.05	.09 N	4.1	-3.0	5.0	13.5	1.48	4.8	10-31-83	3246.0	163.2	2.1	8.51	17.28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

* — Other than a quarterly multiple resulting from a fiscal year change.

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

MERCHANDISER

Most chains stick to basics in toys

Electronic games, last year, accounted for nearly one-third of the total dollars spent on toys, but most chain drug stores downplayed that segment of the category and took a back-to-basics approach.

That will again be the strategy in 1984, but this year retailers say they will be broadening product lines that were exceptionally successful in 1983.

Among the lines that chains will be expanding are battery-powered toys that retail for less than $10 and toys for preschoolers.

Although these products as well as low-priced board games were the strength of chain drug toy departments last year, drug retailers that latched on to the Cabbage Patch phenomenon or hot, higher-priced board games such as Trivial Pursuit reaped big rewards.

Although overall toy sales show a big increase in sales of electronic games, drug chains are backing off because of the high inventory costs.

The volatility of the electronic game and home computer industry coupled with the large inventory investment required frightened many drug retailers away from this category.

Exceptions were chains such as Pay 'n Save, which merchandised these products in camera and electronics sections.

But the strategy of most drug retailers was similar to Rite Aid's. "In the drug stores, we don't go for trendy items. We go for lower-end merchandise," said a chain spokesman.

Still, low-priced staple toys have been strong enough for Rite Aid to double the size of its toy departments last year to approximately 50 running feet.

Perry's strategy in 1983 was similar to Rite Aid's. "We stayed away from electronic games, home computers and video games last year and probably will in 1984," said Perry seasonal buyer Lloyd Coe.

Perry didn't carry Cabbage Patch dolls, but imported a similar doll that sold well at $10. "We also had a doll that we sold well at $5. Anyone with a good soft doll could sell it," Coe said.

At the beginning of 1983, when toy buying decisions were made, Coe said it was difficult to gauge how strong the economy would be by Christmas. The strength of the buying season surprised him, and he is planning to be more aggressive this year. "We'll spread out more with preschool toys and battery-operated toys," he said.

Perry Drug imported more items in 1983 than in the past for its toy department and is likely to continue that trend through 1984. Importing is becoming popular with chain drug retailers because branded American-made toys have to be sold at lower margins to be competitive.

In addition, imported toys are more likely to be at lower price points. Toy buyers say they must continually remind themselves that they are selling toys in drug stores and not in discount stores or specialty toy retailers that can invest in larger toy inventories and have the space to carry more sku's.

Genovese also followed the strategy of selling basic low-priced toys, but also experimented with some higher-priced merchandise.

With a selling price of $24.99, Trivial Pursuit sold rapidly, and Genovese had a tough time keeping the popular

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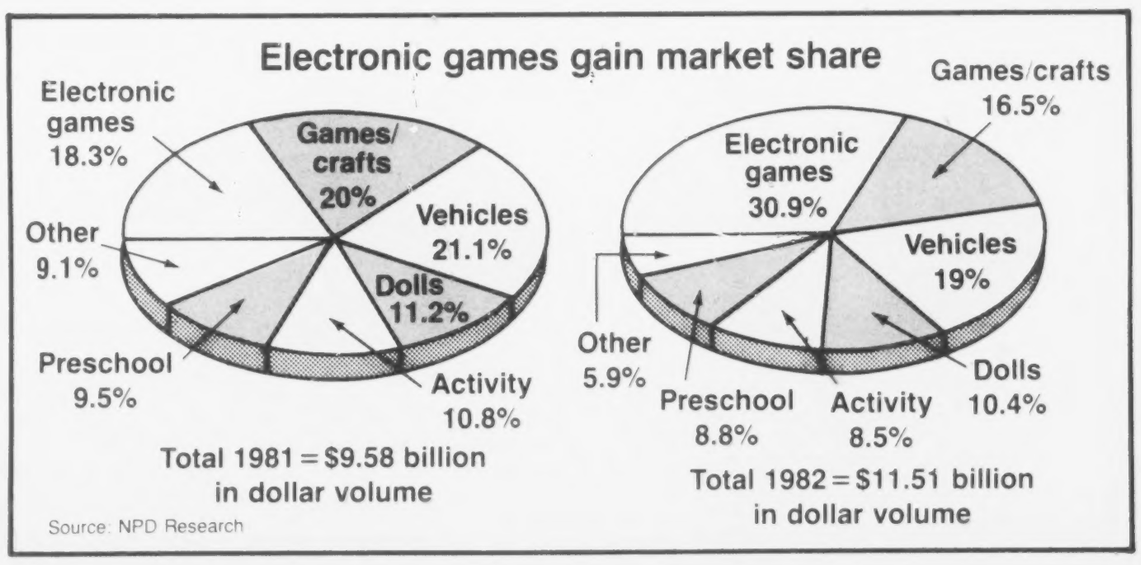
Drug chains are stressing a back to basics approach in toys. Board games and licensed products top the list of items buyers will eye for 1984.



Promos help reinforce resurgence in card sales

Drug chains have been able to up their playing card sales by offering multiple packs, couponing, trimming margins and revamping merchandising strategies.

At the same time, more consumers appear to be turning back to cards as a form of entertainment. In fact, 85 million Americans played one of many of the hundreds of card games within the last six months. The fact that sales and use are on the upswing is supported by the United States Playing Card Co., which stated that sales in 1983 rose about 15% over 1982.

Playing cards is still a favorite pastime for millions of Americans. Drug chains are wooing this customer with promotions, including 2-packs for the price of one.

Playing cards are an important item for drug chains because of a fairly high turnover rate of 4.5 to 5 times and a return-on-investment in the 60% and up range.

Because of this, many chains have developed techniques to boost sales to even higher levels in 1984.

Since many games including bridge and gin rummy require multiple decks, retailers are selling decks on 2-for-1 or 3-for-1 deals. Walgreens, for instance, recently advertised three packs of Stud playing cards for $2.29.

Begley Drug in Richmond, Ky., also capitalized on the impulse nature of the category by placing two combined decks on endcaps. "If we sell them regularly one pack for $1.39, we'll sell two decks for $1.99," said Orlando Segneri, sr. vp for Begley.

At Ribordy, executive vp Ausenbaugh has found that multiple decks sell "real well" when promoted via direct-mail coupon books. The chain normally sells a pack of cards at price points ranging from 98¢ to $1.39.

Still others have dipped into private label cards that can be packaged for 2-for-1 promotions. Eckerd, for instance, introduced private-label cards about a year ago. Rite Aid has private label cards produced in the United States and Kerr Drug in Raleigh, N.C., has an imported brand carrying the chain's logo.

"We buy them direct from the Orient, put them in our own package and sell them three for $1," explained Kerr's Bill Baxley.

Location of playing cards varies from chain to chain. Some prefer to snare impulse sales at checkouts—others prefer more in-line locations.

"It's an impulse item that we put on a pegged section near the checkstand," Ausenbaugh said. Chains such as Walgreens, Rite Aid and Pay 'n Save, how-

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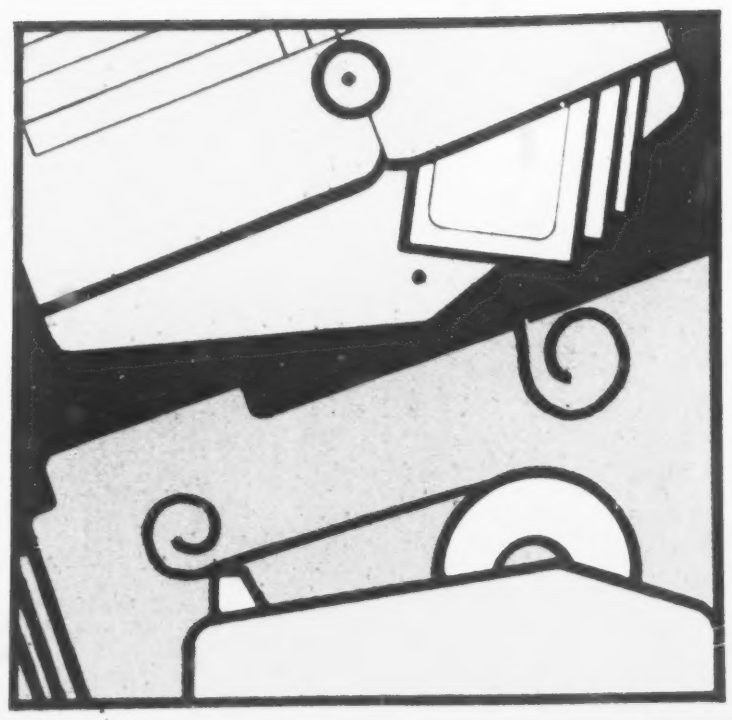


RETAILERS PREDICT LONG-TERM GROWTH

A new study reveals that chains plan to take advantage of the expanding opportunities in the home office supply category.

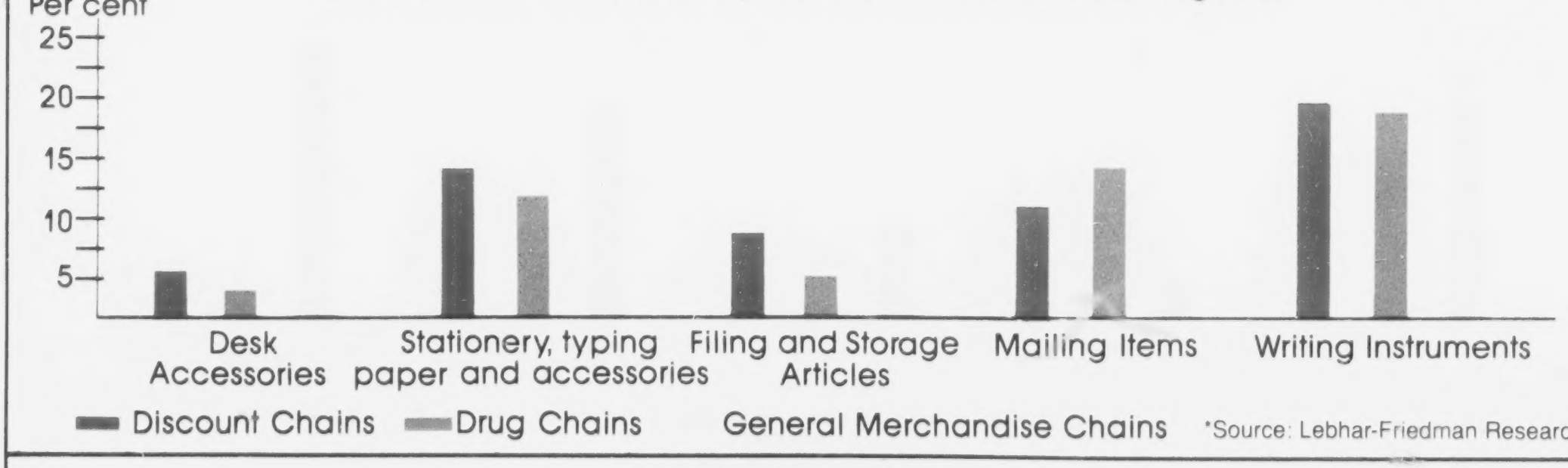
Drug and general merchandise chains have been quick to capitalize on the home office products market. They are upgrading their product lines in an attempt to reach the two main user groups—small businesses and the individual consumer.

A recent nationwide survey conducted by Lebhar-Friedman Research showed that home office buyers for the leading drug, discount and general merchandise chains are planning significant increases in a broad variety of categories including typing paper, typewriter accessories, filing and storage articles, desk accessories, personal planners, calendars and diaries and mailing items.

An overwhelming 71% of the buyers said they expect sales to increase in the home office category, particularly in paper products, typing paper and accessories, writing instruments and storage products.

Chains such as Venture, Target, Wal-Mart, SupeRx, Thrifty and Walgreens, which began expand-

Sales Volume Generated by Selected Home Office Categories



*Source: Lebhar-Friedman Research

ABOUT THE SURVEY

The findings from the Lebhar-Friedman survey were based on the responses from 86 home office supply buyers from the leading drug, discount, general merchandise and supermarket chains.

Qualified chains were selected from the top 100 in their respective classes of trade. The average chain represented in the survey operated 468 units and reported an annual dollar sales volume of $47 million.

RETAILERS PREDICT LONG-TERM GROWTH

ing and upgrading their departments several years ago are actively promoting them. "They are sending a message to consumers that they are the place to shop for stationery and home office products," one industry source says.

In the case of the California-based Thrifty Drugs, the expansion program is being conducted on a chainwide basis. In other instances, retailers are installing home office supply centers in test store locations that are frequently in close proximity to many small businesses.

But whether the departments are introduced chainwide or put in on a limited basis, retailers agree that the key to succeeding with home office departments is to make certain that the customer can find the product he occasionally purchases every time he walks into the store.

While there are certain times during the year such as tax season when demand for office supply products is greater than normal, home office products should not be considered seasonal. Indeed, according to L-F research findings, the only category carried "seasonally" with any degree of frequency is "personal planners, calendars and diaries." And even in that category a number of buyers indicated that they expected to carry those products on a more regular basis in the coming year.

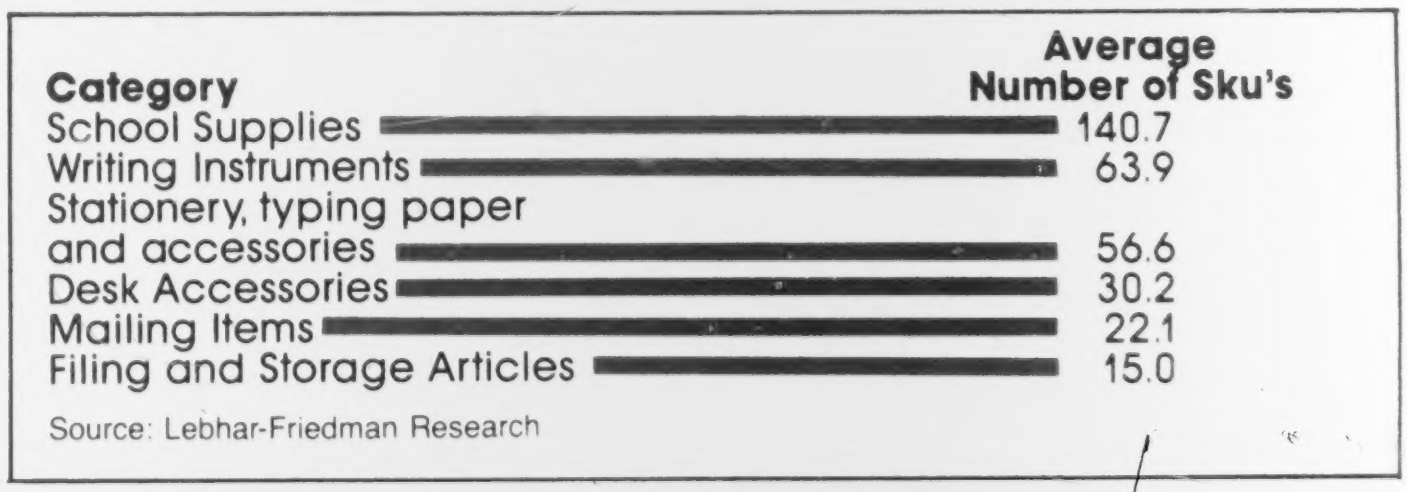
Generally, more than 50% of the home office buyers rated the profit margins and overall growth rate of the home office category as either "excellent or very good." Buyers from discount and drug chains were particularly positive in their ratings.

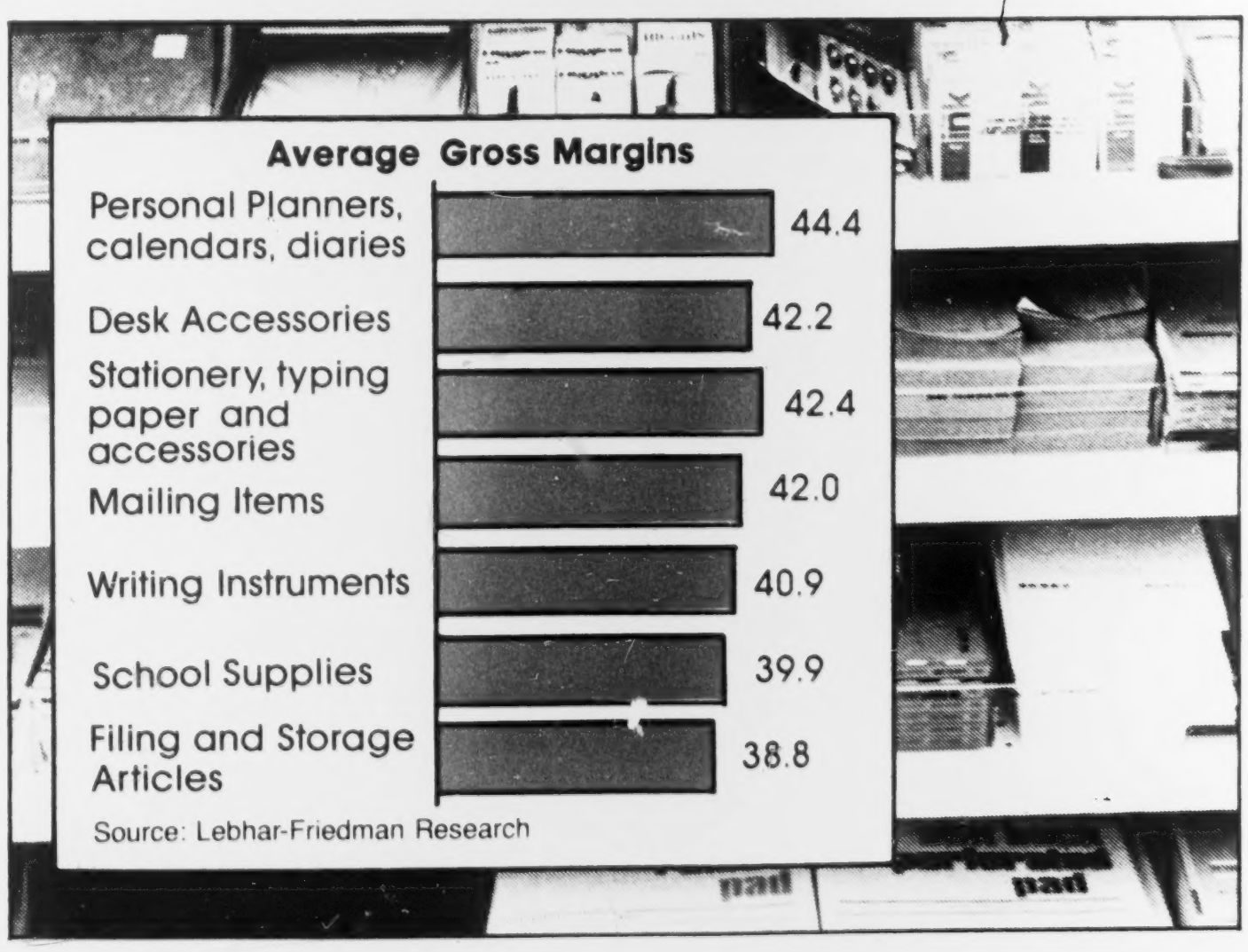
Seventy-six per cent of the drug buyers and 57% of the discount store buyers rated margins in the home office category as "excellent or very good." In addition, more than three-quarters of the discount buyers said the growth rate for products in the category are also "very good to excellent."

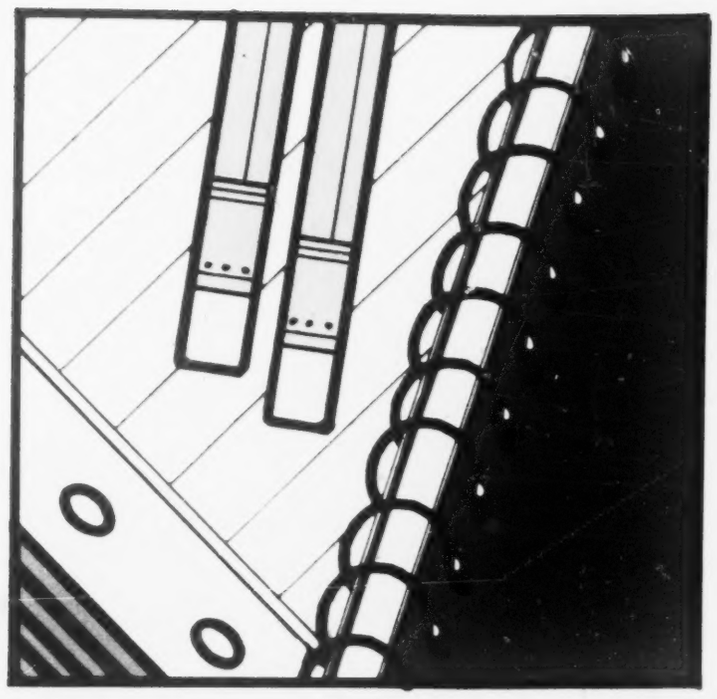
Among the specific product categories that generated the largest overall percentage of sales, the home office buyers frequently cited writing instruments, paper supplies and mailing items.

Not unlike greeting cards, home office supplies are generally considered impulse items by many drug, discount and general merchandise buyers. However, after several instances of a consumer purchasing a package of manila envelopes, legal pads or a box of index cards in his neighborhood mass merchandise outlet, a pattern of planned purchases is likely to develop, many retailers say.

The biggest advantage drug and general merchandise chains have over the traditional office supply store and stationery outlet is that the latter operates on a much higher markup. Consequently, many drug and general merchandise retailers believe they can exploit this market through competitive pricing.







YEAR-ROUND DEMAND STIMULATES SALES

Line extensions have enabled retailers to target school supplies by age group and satisfy the growing needs of the student population.

It used to be that school supplies were regarded as seasonal items in some drug and general merchandise outlets. But in addition to their obvious appeal during the August and September back to school period, school supplies are now steady sellers throughout the year.

Indeed, only 2% of the drug, discount and general merchandise buyers responding to the Lebhar-Friedman Research survey said they carry school items on a seasonal basis.

School supplies actually are the leading stationery sellers in most mass merchandise outlets. When measured collectively school supplies generate 37% of the stationery department sales in discount stores and 41% in drug stores. Moreover, 78% of the buyers said that they expect school supply sales to increase in the coming year.

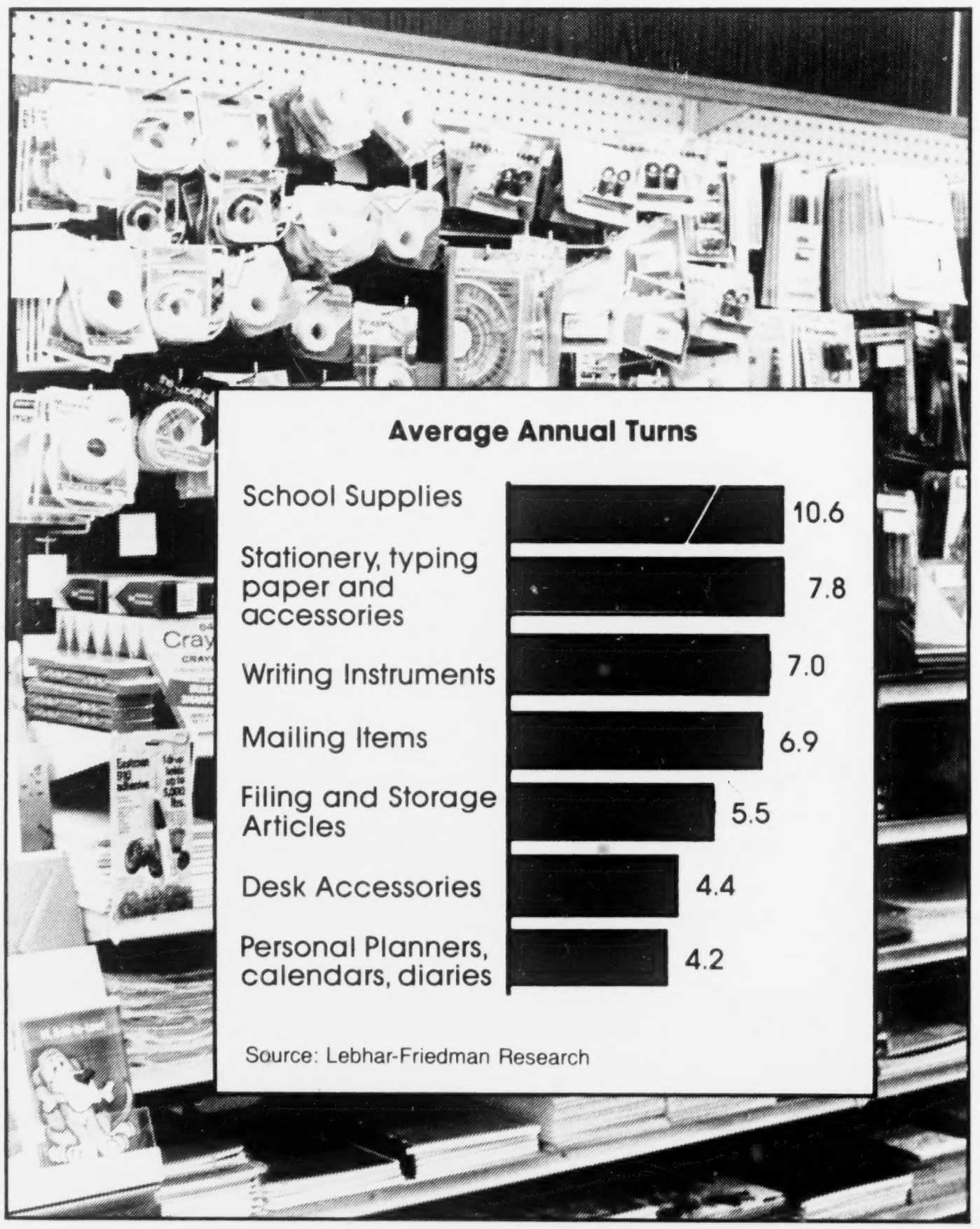
The projected increased demand for school supplies, a result of growing enrollments in day and night schools, has prompted many chains to increase their space allotments especially for ring binders, spiral notebooks, filler paper, pads and folders. In fact, according to the L-F survey, 42% of the buyers expect to provide more shelf space for school supplies during 1984.

While overall year-round sales of school supplies are up, the lucrative back to school period continues to be the driving force in the category. A new survey conducted jointly by *Chain Store Age General Merchandise Edition* and *Better Homes & Gardens* magazine revealed that the average consumer who purchased merchandise during the BTS period allocated approximately 12% of their total expenditures for stationery and school supplies. The only other categories where consumers spent more were apparel, shoes and text books.

In many cases buyers are reporting that they are extending some of their school supply lines. They cite the fact that students are interested in better quality merchandise.

Among the products that retailers are upgrading are portfolios, report covers and higher grades of writing tablets. The trend among students is toward more utilitarian and attractive school products that hold up under heavy use. Generally, these higher end products carry bigger profit margins.

Retailers are also targeting the younger age groups of students. Licensed character school supplies remain the strong sellers among the elementary school students. Even though these products can be risky retailers say the perennial favorites are consistent performers.



MERCHANDISER

Chains take back-to-basics approach in toys

Continued from page 11
board game in stock.

Owen Rees, assistant vp at Genovese, said popular items during Christmas included Care Bear dolls and Masters of the Universe characters.

Genovese for the most part stayed away from electronics, although a few items were carried in some stores.

Ribordy followed the conservative line, sticking to items under $10. "There are problems with items over $10," said Mark Paul, director of merchandising.

"For the expensive items, there are places like Toys "R" Us. They're the experts. We stayed with the basic items at the low end. We sell things like slinky," he said.

Paul said name brand items are "extremely difficult" to sell for less than $10, so the chain has turned to imports.

Ribordy's big winners included Colorforms products, Handicraft toy telephones and the Kenner Care Bears, although the knockoffs of the Care Bears failed to sell.

"I was disappointed with some of our plush," he added. The average toy section at new Ribordy stores is 84 ft., down 25% from the size one year ago.

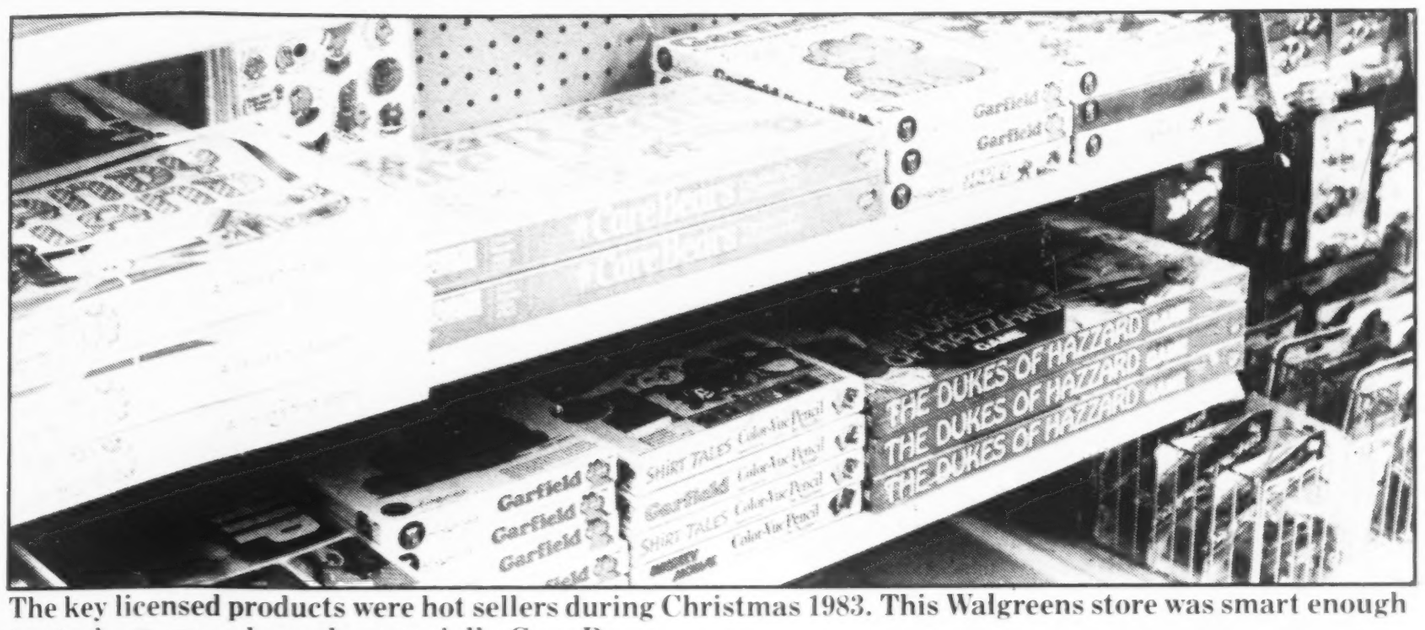
Not counting Pay 'n Save's electronic and computer merchandise in the camera departments, popular items included the Cabbage Patch Kids, Manglers, 4x4 Stompers trucks, Care Bears, Masters of the Universe characters and Shirttails products.

Two 56-ft. gondola runs that face each other make up the department.

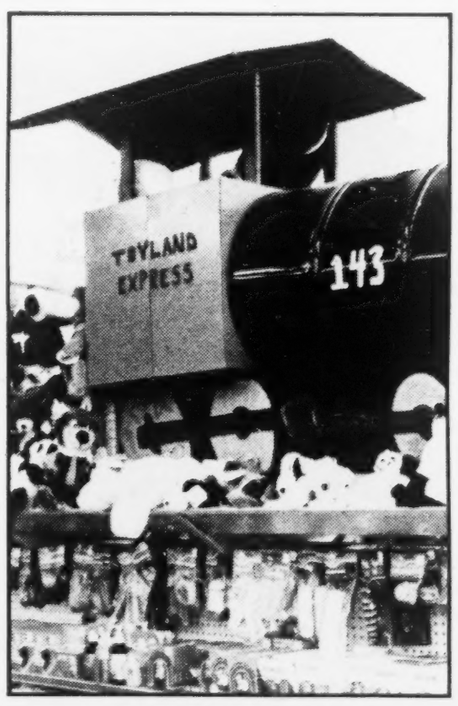
Kerr Drug relies on a jobber to stock its 56-ft. toy sections. Most stores include a 12-ft. section of pegged toys and a 4-ft. game section for games.

Bill Baxley, Kerr vp, said he watches the price points of the toys and tells the jobber to stick to low-end merchandise. "We're staying away from video," he said.

Two chains which have been able to move video items still see promise in the basic toys. Both Osco and Walgreens report excellent sales of the popular Lego Systems line. Lego, in fact, has formed a new department designed to expand distribution to channels of trade where the brand has not been available on a consistent basis. Also, Lego has been pegging and racking its goods to make merchandising easier for the chain drug store operator.



The key licensed products were hot sellers during Christmas 1983. This Walgreens store was smart enough to stock up on such goods, especially Care Bears.



Although plush items sales have softened for most chains, this West Coast retailer built a display that enticed shoppers to buy a furry bear.

Correction

The name of two jewelry manufacturers were incorrectly spelled on p. 41 of the Jan. 23 issue of *Drug Store News*. The story, "Jewelry sales soar," should have read R. N. Koch and Marle Creations.

A funny thing happened on the way to the checkstand.

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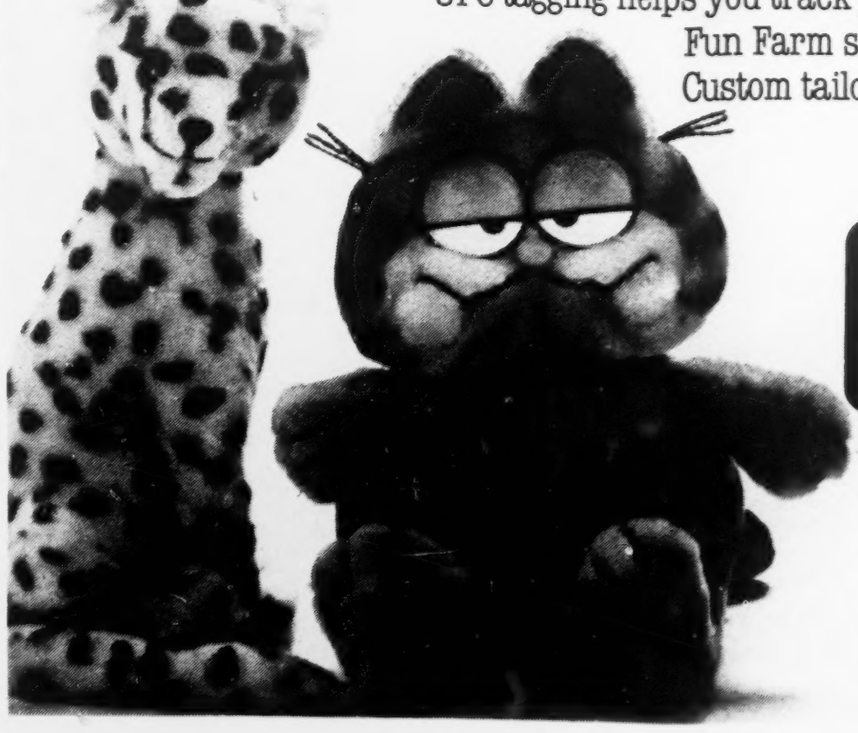

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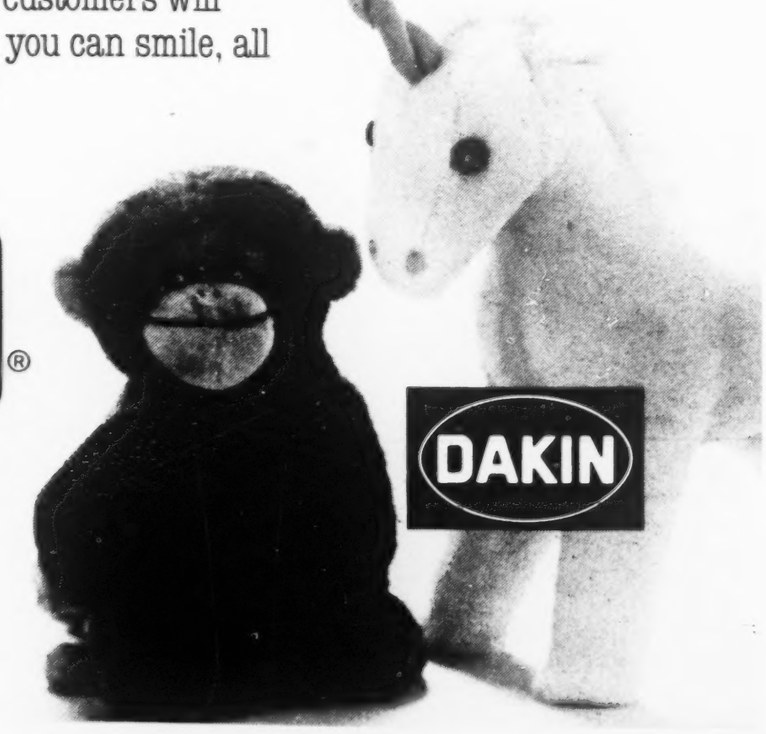


• Special report: the promise of bioengineered drugs—p. 71

PHARMACY Rx

Thrifty's quest: a profitable Rx dept.

LOS ANGELES—Thrifty Corp., which realized a profit growth of better than 25% in fiscal 1983 and the first quarter of '84, is making a concerted drive to bring its unprofitable pharmacy department into the black.

A big part of the effort will focus on increasing pharmacists' productivity through a phased rollout of pharmacy computer terminals.

The attempt to restore profitability is a key element in the strategic plans of the chain, which operates almost 540 Thrifty Drug and Discount Stores in nine Western states, because prescriptions account for 10% of volume.

Four years ago, Leonard Straus, Thrifty chairman, said that in fiscal 1979 the company's prescription department "made money for the first time in its history."

But Thrifty failed to sustain the pace and dropped back into the red. "We are now getting close to breaking even because of improvements during the past three years," Richard Eils, president, told *Drug Store News*.

Thrifty had high hopes of permanently turning the pharmacy department around when it hired Dominic Cavallo, former director of professional affairs for Longs, in October 1977 and named him senior vp-director of store operations.

Cavallo's first priority was pharmacy. Said Straus: "Cavallo restructured our pricing program so that we were lower priced than Sav-On. Before that we were not as competitive—some of our prices were too high, some too low."

One of Cavallo's first moves was to try to extend pharmacy hours in interim steps. The first step was to keep the pharmacy open during the lunch hour, Monday through Friday, and pay the pharmacist one hour overtime at time-and-a-half.

Continued on page 58

The SmithKline Dialogues in Pharmacy Conference was held recently in Longboat Key, Fla. Shown here are workshop leaders (clockwise from left) Royce Friesen, pharmacy owner; Sidney Allen Rosenbluth, dean of West Virginia College of Pharmacy; John Boyle, SmithKline; William Tindall (standing), writer, NARD Journal; John Zatti, state association exec., Jordan D. Johnson Jr., SmithKline, and Jere Goyan (back to camera), dean of the University of California School of Pharmacy. Story page 70.

'83 script sales soar, but margins remain stagnant

PHOENIX—Price gains coupled with growth in scripts produced near-record retail dollar sales growth for the nation's pharmacy departments, up 16% during 1983, but the growth had no effect on retailers' margins.

Numbers of prescriptions dispensed by retail pharmacists rose 2% over 1982, a gain of 33 million on annual volume of 1.5 billion prescriptions.

Dollar sales volume posted significant gains as the retail price indicators advanced 14 points over January 1983 levels. The index of retail prices for prescriptions surged almost 40 points over the level of 109.1 recorded in January 1981.

By December 1983, the same price index had grown to 148.4, according to Pharmaceutical Data Services, a supplier of pharmaceutical marketing information based here.

Price gains traced to expensive new drugs and price increases by manufacturers. The price gains and the growth in scripts helped retailers have a banner year, at least with respect to sales.

A number of products among the leading brands dispensed through pharmacies contributed to these sales gains. Leading items such as Tagamet, Feldene, Naprosyn, Clinoril, Tenormin, Procardia and Zantac showed dollar volume advances.

But despite being market leaders, these higher priced products didn't yield huge returns to pharmacy departments. According to recently audited information which will appear in the *1984 Reference for Pharmacy Practice*, competition and third-party fixed fees have kept a lid on what these drugs return to retailers.

Retail margins for many of these maintenance drugs range from 15% to 20% for an average script.

And for costly medications, that means pharmacies must tie

Continued on page 58

New drug approvals dropped 50% last year

ROCKVILLE, Md.—The number of "totally new" drugs approved by the Food and Drug Administration dropped by 50% last year despite pledges by the Reagan Administration to "streamline" Government reviews of important new pharmaceuticals.

During calendar year 1983 F.D.A. granted marketing approval for only 14 "new molecular entities"—down from 28 NME's approved by the agency in 1982, and 27 such approvals in 1981.

Moreover, of the 14 totally new drug products cleared by the agency last year, nine are categorized as providing little or no therapeutic advantage over other pharmaceuticals already on the market, F.D.A. officials confirmed.

The abrupt decline in NME's approved by F.D.A. during 1983 reverses a distinct upward trend in new drug approvals over the past two years and casts doubt on claims by Reagan Administration health officials that their efforts to "reform" Government drug review practices are beginning to pay off.

Two years ago then-Health and Human Services Secretary Richard Schweiker credited the sudden (1981) upsurge in NME approvals to a series of "significant steps" taken by the Administration to enable "beneficial new drugs to reach those who need them faster."

As a result of the "leadership" of Reagan Administration F.D.A. appointees, he said, Government approval of NMC's during 1981 reached its highest level since passage of the 1962 Federal drug law amendments, and more than doubled the output (12 NME's) of the last year of the Carter Administration (1980).

"We promised the American people we would reform the drug approval process, and last year marked a long step toward that goal," Schweiker said in 1981. "Speeding the review of lifesaving new drugs will allow the public to benefit from medical advances without needless delay."

Among the specific steps cited by Schweiker to accelerate the drug approval process: a series of "new management initiatives" to "enhance accountability for moving [NDA] ap-

Continued on page 58

Marketplace pricing: one solution to dwindling margins

BENCHMARKS

By Joseph Caputo, R.Ph.
Pharmaceutical Editor

The facts are in, and 1983 goes into the record books as another banner year for nation's pharmacy departments. Total scripts dispensed rose 2% while script prices surged 14 points over January 1983 levels.

Expensive new drugs, price increases by manufacturers and greater quantities of dosage units per script account for a large percentage of the price gains.

Price advances combined with the growth in total scripts yielded a bountiful harvest of sales dollars for retail pharmacy departments.

But despite this promising performance, storm clouds may be gathering on the horizon: Pharmacists from both chain and independent community drug store settings say margins in their pharmacy departments are shrinking.

So in spite of impressive sales growth, margin dollars (the money used to pay expenses) are on a downward trend. And lowered margins cut into retailers' return on investment in inventory.

The culprit creating all the problems are fixed dispensing fees and the "lower of" provision written into many third-party prescription contracts.

This problem really becomes acute when expensive medications are dispensed, and it's important to remember that an increasing mix of drugs on pharmacists' shelves are categorized as expensive.

Third-party administrators typically lock pharmacists to low fees that are not regularly updated. So as expenses climb pharmacists have no way to recoup their inventory investment except one: They can charge their private pay patients more for the same drugs which are dispensed at lower prices to patients enrolled in third-party programs.

If this price shifting doesn't work another dilemma is created: Pharmacists can either walk away from participating in third-party programs (and face a loss of store traffic which accompanies these plans), or accept low returns from what was and should be the premier department in the store.

A number of solutions could get pharmacists out of the corner they are painted into. One answer may be a return to marketplace pricing. Another solution centers on separating the distributive function from other services that pharmacy is capable of providing, and setting separate remuneration rates for the different functions. A third solution focuses on elimination of the "lower of" provision

In an economy that hinges on return on investment, the degree to which market place pricing is accepted may determine the number of pharmacy departments and scope of pharmacy practice in the future.

Unfortunately it appears neither pharmacists nor consumers will have a say in the matter. The parties welding the greatest clout presently are state government officials, insurance company administrators and personnel officers in large corporations.

These are the power blocks which may set the scope of pharmacy practice in the future—and have been setting it for the past several years.

PHARMACY

Thrifty eyes profitable pharmacy department

Continued from page 57

The next step was to double-shift on a store-by-store basis. But the question that had to be answered first was: Does volume justify a second shift? That brought back the age-old chicken-or-egg dilemma: Do you extend hours *after* volume justifies, or do you *first* extend the hours in order to get the volume?

Thrifty opted for getting the volume first—and that's where the program snagged. As a result, a large number of stores are still on single shift: 10 a.m. to 7 p.m., closed on Sunday.

A few select stores have longer pharmacy hours, such as the headquarters store (8 a.m. to 11:30 p.m., Monday through Saturday and 10 a.m. to 11:30 p.m. on Sunday). Another is the Third and Vermont unit where pharmacy is open 8 a.m. to midnight.

However, the headquarters store is open from 6 a.m. to midnight, and Third and Vermont, 6 a.m. to 2 a.m. This follows the Thrifty pattern of not keeping the pharmacy open all the hours that the store is open—unlike Thrifty's competitors.

By maintaining tight control over payroll—and often eliminating clerks in pharmacy—Thrifty had problems with customer service. Customers have told *Drug Store News* that they frequently wait an hour before their prescriptions are ready.

Still, Straus attributes much of pharmacy's plight to the high wages/benefits provided in the union contract. "We pay our pharmacists the very highest wage-benefits in the nation," he said. "If we were nonunion, we could increase our profit margins 2% to 3%."

Retail margins for selected drugs

Leading Products	Avg. retail price/Rx	Avg. retail price/dose	% retailer margin/Rx
Tagamet 300mg	$24.73	$0.34	13
Feldene 20mg	31.45	1.12	13
Naprosyn 375mg	26.98	0.60	17
Clinoril 200mg	30.16	0.58	13
Tenormin 50mg	19.44	0.41	21
Procardia 10mg	24.98	0.26	16
Zantac 150mg	34.95	0.85	14

Source: *Drug Store News Reference for Pharmacy Practice*

Script sales soar, margins stagnant

Continued from page 57

up increasing amounts of capital on their shelves in the form of inventory. Since an average of 20% to 30% of all scripts dispensed are for patients enrolled in third-party insurance plans, it means pharmacy departments are locked into slow changing fees that range between $2.75 and $3.50 per script. "Lower of" provisions written into many contracts also produce a negative impact on retailers' margins.

Pharmacists from a variety of practice settings complain about the situation, but with limited or no success to date.

Retailers from associations representing drug chains and independent community pharmacies said a return to market place pricing (usual and customary pricing) would provide some relief from the constraints of fixed fees established by third-party administrators.

Fixed fees refer to constant dollar charges, i.e., $2.95 which is added to any script's cost of ingredients (regardless of the cost of goods). The overall retail price is usually quite low for costly new pharmaceuticals, which puts a crimp on retailers' return on investment in inventory.

Retailers say that despite hefty sales increases, their return on investment is shrinking for the pharmacy department because margins are declining.

New drug O.K.'s drop

Continued from page 57

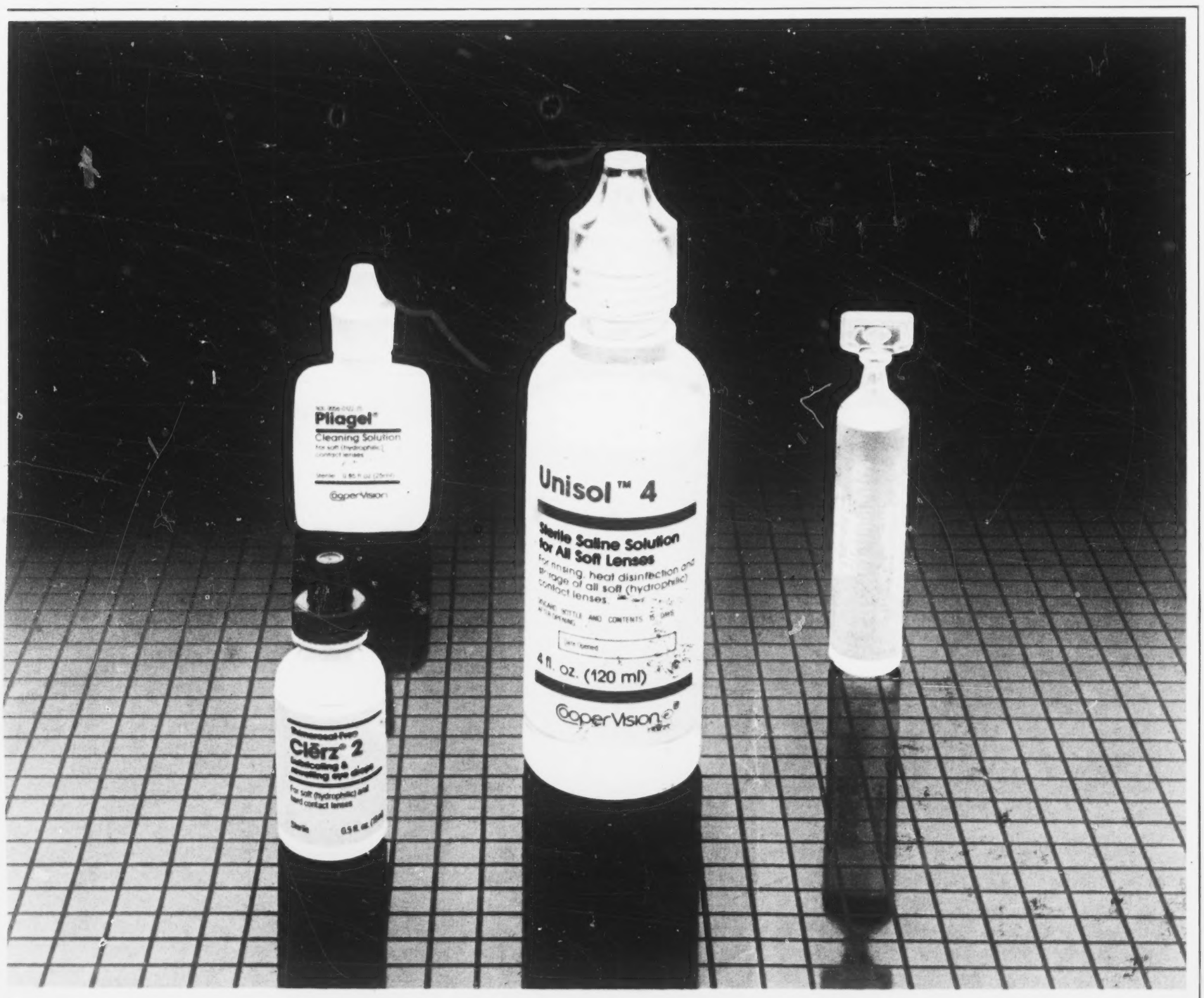
plications through the agency," use F.D.A. personnel "more flexibly to accommodate uneven workloads," and "promote more timely communication with drug sponsors during the review process."

The Administration's most ambitious effort to streamline the drug approval process—a stem-to-stern "rewrite" of F.D.A.'s New Drug Application system—is still in the planning stages, however.

That plan, prepared by a "special departmental task force" chaired by former F.D.A. Commissioner Arthur Hull Hayes, calls for:

- Cutting the paperwork obligations of new drug sponsors 70% by allowing many manufacturers to supply F.D.A. with "summary tabulations" of individuals participating in clinical drug studies rather than case-by-case reports on each participant.
- Streamlining the format of NDA submissions so that each F.D.A. reviewer would not have to "wade through *all* the data [in the application] in order to review his or her own."
- Improving F.D.A. communications with drug manufacturers to resolve NDA disagreements more quickly and avoid common "deficiencies".
- Establishing a new series of internal deadlines for F.D.A. action on NDAs.

A final version of F.D.A.'s proposed n ew "NDA rewrite" is scheduled to be released next month.



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PHARMACY
Revco to test video info system—p. 11

STORE BRAND
Special report on store brands—pp. 21-33

DRUG STORE NEWS

Vol. 6 No. 5 | Serving the Retail Drug Store Industry for 55 years | Published by Lebhar-Friedman Inc. | March 5, 1984

"For me the strong plus is that Dart is still the No. 1 drug chain in the Washington, D.C., market."

Al Towle
Dart president-elect

Towle appointed head of Dart's drug division

By Bruce Buckley

LANDOVER, Md.—Alvin Towle, former president and general manager of Gray Drug Fair, has been named president of the 73-store retail drug division of Dart Drug.

Towle, 46, will assume the new post on March 1.

He told *Drug Store News* that the "strong plus" in his move was that Dart "is still the No. 1 drug chain in the Washington, D.C. market, and they have a foothold in Richmond."

The appointment of Towle will relieve pressure on a top management team that has been stretched thin by an aggressive diversification into discount retail book and auto parts outlets.

"It's a good move for them" he said, "and it's a good move for me."

With Towle at the helm of the drug store division, Dart should be able to resolve some of the problems that have afflicted the chain in recent years, including persistent out-of-stock conditions, particularly on ad merchandise.

According to one long-time observer of the D.C. drug store scene, Dart's out-of-stock problems are at least as bad as those of Drug Fair, which has lost heavily to other competitors in that $800 million drug store market, including Peoples, Giant and Dart.

In Towle's view, Dart's big strength in this highly competitive market has been its ability to maintain the low-price image, an image that dates back to the 50's, when Herbert Haft, now chairman, launched his first small discount drug stores in downtown Washington.

"It's a real strong image," Towle said, "and we'll keep blasting away at it."

Towle's task at Dart should not be nearly as difficult as the one he faced at Gray Drug Fair when he became president in January 1982. There, his job was to revive an ailing chain that stretched from Ohio to

Continued on page 49

2 vendors refuse to supply Northwestern

By Lou Karney

SEATTLE—Pay 'n Save on paper has acquired a wholesaling company, Northwestern Drug. But the ability of Pay 'n Save to continue to operate Northwestern as effectively as wholesalers is slowly coming into question.

Two of the country's leading pharmaceutical manufacturers, Smith Kline & French and Eli Lilly have announced they will not continue to supply Northwestern with their pharmaceutical products because the former wholesaler is now owned by a chain.

Smith Kline, which has notified Pay 'n Save that it will terminate its wholesale distribution agreement as of March 31 of this year, says its policy "precluded our selling to a wholesale distributor that is owned by a retail pharmacy or chain."

A Lilly representative told *Drug Store News* that "our policy is not to sell to wholesalers who own or who are owned by or are even in common ownership with drug chains. We foresee no reason to deviate from this policy."

At least 18 major manufacturers have such policies and if others follow the Smith Kline/Lilly lead, the impact on Northwestern's source of supply could be devastating.

The loss of Smith Kline and Lilly alone cuts Northwestern off from direct access to drugs which account for at least 10% of all scripts dispensed. According to Decision Data Services, Smith Kline accounts for 5% of the top 500 prescription products while Lilly accounts for 5.3%. Affected are such popular drugs as Tagamet, Dyazide, Darvocet-N and Keflex.

Cal Hendricks, vice chairman of Pay 'n Save, reacted to the news by promising "to get the products from other sources."

Sources close to Northwestern say this means the firm will buy SKF and Lilly products from another wholesaler. But to stay competitive, it will invoice its retail customers at the same price it has always charged. In other words, it will eat the difference.

Continued on page 50

Pharmaceutical manufacturers who refuse to sell chains direct

1. Boehringer Ingelheim Ltd.
2. Boots Pharmaceuticals Inc.
3. Breon Labs
4. Burroughs Wellcome Co.
5. Dista Products
6. Du Pont Pharmaceuticals
7. Geigy Pharmaceuticals
8. Glaxo Inc.
9. Eli Lilly
10. Mead Johnson
11. Norwich-Eaton
12. Purepac Pharmaceutical
13. A. H. Robins
14. Roche Labs
15. Sandoz Pharmaceuticals
16. Searle Labs
17. SmithKline & French Laboratories
18. Syntex Labs

Walgreens doubles electronic ad budget

DEERFIELD, Ill.—Walgreens has doubled its 1984 electronic media advertising budget, and the bulk of those dollars will be used to promote the chain's Intercom pharmacy computer system and its services.

"Nineteen eighty-four marks our boldest step to date into electronic [radio and TV] media usage," said Fred F. Canning, president of the drug division.

Because Walgreens has such a strong presence in its major markets, TV and radio advertising has become an efficient and economical way of reaching customers.

The aggressive ad campaign consists of a series of ads informing customers of the benefits of the pharmacy computer system. The ads include a spot on 24-hour pharmacies (shown in the five markets where Walgreens has all-night units), an ad about Walgreens' Medical Information Card and one about how Walgreens can transfer scripts from one store to another (where state law allows).

The commercials vary by market, but are shown on an in-and-out basis in 17 Walgreens trade areas and on a continuous basis in eight markets. A photofinishing ad is also featured in all of the markets.

The 30-second spots are shown on all stations (affiliates and some independents) during

Continued on page 49

Late News

PEOPLES DRUG STORES reported a 24% increase in earnings and a 13.2% gain in sales for the first quarter ended Jan. 31. Net profits for the quarter rose to $6.4 million, or 83¢ a share, from $5.2 million, or 69¢ a share, in the year-earlier period. Sales were $281.6 million. The chains net-to-sales ratio for the period increased to 2.3% from 2.1% for the corresponding period last year.

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Roth named president of Carls

ROME, N.Y.—Neil S. Roth, former assistant vp of purchasing at Revco D.S., has been named by the Pneumo Corp. to head up its 36-store Carls Drug chain, headquartered here.

Roth's appointment as president, which became effective Feb. 13, culminated a three-month search by the Boston-based Pneumo to find a successor to Larry Padgett. Padgett, who resigned his post as president in November of last year, has since become president of the specialty retail division at Fay's Drug.

The 33-year-old Roth brings to Carls more than 10 years of retail drug experience at three major drug chains. Prior to joining Revco in February 1983, he was a regional merchandise director for the Jack Eckerd Corporation.

From 1974 to 1979 Roth was with the Rite Aid Corporation and during the course of his employment was a buyer for the health and beauty aids, soft goods and candy categories. Roth, a 1973 graduate of Queens College in New York City, also worked briefly with Pathmark Supermarkets.

Roth inherits a drug chain that according to Pneumo is primed for expansion. The diversified food and drug and aerospace concern has made public its plans to add more than five stores a year over the next four years.

When Pneumo acquired Carls Drug in 1980, it embarked on a major remodeling and remerchandising program for the upper New York State chain. With the program completed, Pneumo is now setting its sights on expansion.

FINANCIAL

Begley reports earnings, sales up for 3rd quarter

RICHMOND, Ky.—Begley Drug Company reported that net earnings for the third quarter ended Dec. 31 increased 23.5% to $568,844 from $460,652 for the same previous-year period. Earnings per share were $1.30 compared to 84¢.

Sales for the quarter rose to $17.6 million, up 10.7% from year-earlier sales of $15.9 million.

For the first nine months of the fiscal year, net earnings fell slightly to $725,637, $1.32 per share, from $728,884, or $1.33 per share, in the comparable period the year before.

Nine-month sales reached a record $46.5 million.

During the quarter, the company acquired a group of five dry cleaning stores.

Begley Drug operates 45 retail drug outlets in Kentucky as well as 110 dry cleaners in eight states. In addition there are four convalescent aids and home health care centers in Kentucky. Subsidiary operations include B&B Equipment and Supply, a distributor of dry cleaning equipment and supplies and CMC, a manufacturer of drive-in windows.

Drug Systems net up

MILWAUKEE—Drug Systems Inc. reported that net earnings for the quarter ended Jan. 7 increased to $954,000 from $299,000 in the corresponding year-earlier period. Sales for the quarter rose to $27.5 million from $9.7 million.

Year-end profits rise 80%

SupeRx boosts Kroger Co.

CINCINNATI—SupeRx drug stores contributed strong performance to the "disappointing" overall operating results of the Kroger Company, according to the parent company's report on 1983 sales and earnings.

SupeRx' operating profits for the year ended Jan. 31 reached $27.2 million, 80% higher than the $15.2 million earned the previous year.

Sales for the drug store division increased 10.2% to $789.6 million from $716.4 million.

As a result of the strong earnings growth, SupeRx' ratio of operating profits to sales increased by a substantial 1.3 percentage points to 3.4%.

Kroger said that its drug store chain, which closed out the year with 606 units, is expected to increase its contribution to Kroger's operating results in 1984.

For the company as a whole, 1983 sales increased 3.2% to $15.2 billion from $14.8 billion the previous year. Excluding the sales from 75 southern California stores, disposed of in 1982, the sales increase was 5.8%.

But Kroger's net earnings for the year declined 33.9% to $127.1 million from $192.1 million, while earnings per share fell 31.9% to $2.76 from $4.05.

"The year 1983 was a disappointing one for our company," said Kroger chairman Lyle Everingham. "Some portions of the company, notably Dillon, produced better than anticipated results. But more aggressive competition in several key Kroger markets, sluggish economic recovery throughout much of our trade area, and higher costs all had a profit-draining effect.

Walgreens sales rise

DEERFIELD, Ill.—Walgreen Co. announced January sales of $211 million, an increase of 17.7% over the $179 million registered for the same month in 1983.

Charles R. Walgreen III attributed the increase to "strong pharmacy performance, favorable consumer response to promotional activity and good movement of health and beauty aids and winter seasonal items."

Rite Aid alone gains in bear market decline

Name	Symbol	STOCK PRICE 1/27/83-2/13/84 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Change Pct.	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Yield	Last X-Dvd Date	FINANCIAL POSITION Last Fiscal Year Revenue	Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	15.25	12.75	12.75	-2.50	-16.39	24.88	9.25	-1.07	-1.35	44	-3.52	1.12	39 N	42.8	17.0	1.6	9.8	.04	3	12-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	33.63	30.75	32.13	-1.25	-3.75	44.00	23.47	-.66	.08	.64	-7.47	2.59	87 N	35.2	44.0	1.2	9.6	.48	1.5	12-09-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	16.50	16.25	16.25	-.25	-1.52	24.00	12.50	.21	.51	3.87	59.52	1.47	1.46 N	NC	-10.0	1.4	11.1	.68	4.2	01-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	11.38	10.63	10.75	-.63	-5.49	14.50	7.25	-.47	.16	-1.74	-49.28	.39	.12 N	34.2	25.0	2.9	22.9	.00	0	09-21-83	87.4	2.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	65.00	58.00	58.00	-7.00	-10.77	148.00	32.25	.02	-1.44	.43	-5.85	5.43	6.32 N	207.2	67.0	3.1	6.2	.13	2	12-06-83	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	6.75	5.25	5.25	-1.38	-20.75	9.31	5.25	-.65	-3.74	-.69	25.71	.55	.65 N	NC	NC	2.6	8.1	.00	0	01-25-84	26.7	.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	26.00	23.88	24.13	-1.88	-7.21	34.88	23.63	-.04	-.21	-3.27	-21.34	1.91	1.6 Q	8.8	4.0	3.1	12.3	1.00	4.1	03-12-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	11.88	10.13	11.00	-.63	-5.38	14.50	8.69	-.60	.57	-.66	-3.48	.48	1.3 N	31.7	32.0	2.0	20.4	.14	1.3	03-19-84	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	14.13	11.88	12.75	-1.38	-9.73	20.50	6.88	-.74	-.64	-.39	-.61	.67	2.6 N	45.6	32.0	1.6	15.4	.20	1.6	12-28-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	27.50	25.25	25.25	-2.25	-8.18	29.75	16.84	-.12	-1.27	5.08	18.91	1.52	.73 N	55.7	10.0	2.3	12.4	1.00	4.0	01-09-84	285.2	6.6	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	47.88	41.00	41.00	-5.75	-12.30	50.13	37.50	-.15	-1.34	.88	29.63	2.92	4.6 N	16.3	10.0	2.8	12.5	1.12	2.7	11-22-83	1123.2	30.9	1.8	.00	18.76	0183
Pay N Save	PAYN	22.00	18.63	19.50	-.75	-3.70	28.75	16.94	-.86	-.33	3.30	3.38	1.52	8.9 N	69.5	4.0	1.6	9.0	.56	2.9	11-17-83	1043.2	16.8	2.3	17.01	14.32	0183
Pay Less NW	PAY	16.88	14.50	14.88	-1.63	-9.85	20.19	13.19	-.28	-.62	1.69	54.98	1.07	.21 N	21.2	0	2.5	12.4	.27	1.8	03-19-84	784.7	19.4	2.0	5.26	6.07	0180
Peoples Drug	PDG	25.13	20.25	20.63	-4.38	-17.50	31.75	20.25	-.50	.00	3.01	-33.63	1.79	.40 F	28.7	23.0	1.7	11.5	.28	1.4	02-17-84	791.1	13.7	1.8	4.92	11.56	0983
Perry Drug	PDS	17.88	14.00	14.88	-2.88	-16.20	22.38	9.16	-.39	.62	-4.77	-19.41	1.02	.29 F	39.7	7.0	1.6	14.6	.24	1.6	12-21-83	285.5	4.5	1.9	6.04	6.50	1082
Revco Drug	RDS	33.50	30.00	30.88	-1.88	-5.73	37.50	26.34	-.37	-.03	1.83	-27.06	2.13	.53 S	29.9	24.0	3.7	13.4	.68	2.2	11-18-83	1792.8	66.5	2.5	1.33	11.59	0683
Rite Aid Corp	RAD	19.38	17.88	18.25	.13	.69	23.44	15.63	-.29	.26	.53	26.29	1.19	.61 N	83.5	26.0	3.9	13.6	.40	2.2	01-30-84	1294.7	49.9	1.7	.59	6.19	0283
Thrifty Cp	TFD	15.50	13.00	14.25	-1.25	-8.06	25.25	10.38	-.94	1.74	2.10	1.54	1.13	.21 F	22.8	18.0	1.9	12.6	.52	3.6	02-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	36.25	33.13	33.38	-2.38	-6.64	40.38	26.50	-.14	-.12	-2.24	-33.62	2.24	.46 Q	24.4	34.0	2.9	14.3	.72	2.2	02-10-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Brunswig	BBCA	24.13	21.00	22.25	-.75	-3.26	39.50	21.00	-.38	.11	.84	5.08	1.60	.24 Q	17.0	40.0	1.4	13.5	.32	1.4	01-26-84	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	41.38	38.50	38.50	-2.25	-5.52	51.00	37.50	.09	-.45	-1.14	-9.05	3.44	.38 N	11.7	5.0	1.6	10.7	2.40	6.2	02-24-84	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	25.25	22.25	22.75	-2.25	-9.00	28.50	22.25	-.20	.12	-2.40	-39.00	.94	1.43 N	NC	103.0	.7	15.9	.00	0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	18.88	14.25	14.38	-4.50	-23.84	21.00	10.09	-.26	-1.75	-.98	-20.78	.89	.49 S	106.5	112.0	.4	15.1	.00	0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	15.25	13.25	13.25	-1.50	-10.17	19.25	12.75	-.22	-.55	.15	18.75	.77	.18 N	16.3	5.0	.7	10.4	.32	2.4	12-09-83	211.4	1.5	2.8	10.55	9.76	1282
Spectro Indus	SPO	20.50	17.00	17.38	-3.13	-15.24	28.75	17.00	-.18	-.85	1.15	.72	1.35	.31 N	25.0	48.0	1.6	11.2	.14	.8	12-29-83	339.1	5.4	1.7	2.86	7.24	0380
Manufacturer's transactions																											
Abbott Labs	ABT	46.25	43.25	44.50	.63	1.42	53.38	38.13	.04	.52	.69	-3.20	2.86	.49 F	20.6	28.0	11.9	15.6	1.00	2.2	01-09-84	2927.9	347.6	1.3	1.56	10.74	1282
Am Home Prod	AHP	54.75	48.75	49.13	-2.38	-4.61	54.75	42.88	.33	-.58	.36	-9.81	4.00	.41 F	11.4	17.0	12.9	12.3	2.64	5.4	02-06-84	4856.5	627.2	2.7	.00	11.83	1282
Baxter Travenol	BAX	22.25	19.25	19.88	-1.13	-5.36	31.31	19.25	-.36	-.34	-1.22	-32.89	1.45	.23 F	18.8	28.0	11.8	13.7	.28	1.4	11-18-83	1842.5	218.1	2.0	1.18	7.52	1282
Block Drugs Co	BLOCA	28.25	27.75	28.25	.50	1.80	34.47	21.38	.39	.91	.18	-25.00	2.85	.47 N	17.6	14.0	9.7	9.0	1.00	3.5	02-24-84	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	46.13	43.13	43.25	-.50	-1.14	47.88	32.56	.26	.03	.06	1.43	3.00	.41 F	15.8	19.0	10.4	14.4	1.20	2.8	12-30-83	3917.0	408.0	2.3	.84	12.68	1282
Carter-Wallace	CAR	25.75	23.88	24.88	.38	1.53	29.00	18.00	.94	.73	-1.69	7.90	2.12	.31 N	15.5	35.0	5.7	10.8	.48	1.9	02-06-84	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	13.75	10.50	11.00	-2.75	-20.00	13.75	10.38	.46	-1.18	.90	5.61	NA	NA	NA	NA	NA	NA	.00	0	00-00-00	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	29.00	19.00	19.25	-9.63	-33.33	40.75	19.00	-.96	-5.20	2.53	22.22	.48	-.02 N	-3.5	57.0	13.4	35.6	.00	0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	7.00	5.63	5.88	-1.25	-17.54	15.25	5.63	-.33	-3.47	1.64	17.27	.42	-.11 N	-27.5	38.0	7.8	20.3	.00	0	00-00-00	38.7	3.0	1.8	.65	3.81	1182
Key Pharm	KPH	18.13	14.00	16.25	-1.75	-9.72	25.94	13.59	-.76	4.26	1.27	-30.97	.34	.15 N	51.7	80.0	14.9	36.9	.13	.8	11-04-83	82.3	12.3	1.6	.03	1.14	1282
Lilly Eli Co	LLY	63.00	60.38	62.25	.25	.40	68.38	56.75	.38	.88	.67	25.25	5.42	.62 N	11.8	13.0	13.9	10.6	2.90	4.7	02-08-84	2962.7	411.8	1.9	.65	27.10	1282
Lee Pharm	LPH	2.75	2.50	2.63	.25	10.53	4.38	2.00	.32	1.39	-.13	-1.06	-.49	.51 Q	NE	-57.0	-14.3	NE	.00	0	00-00-00	7.0	-1.0	1.9	.46	1.98	0982
Marion Labs	MKC	34.50	29.13	29.63	-4.88	-14.13	48.00	24.13	-.83	-.55	5.92	1.75	.78	.43 S	72.8	15.0	8.2	29.0	.40	1.4	12-14-83	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	92.25	87.50	88.50	-1.50	-1.67	104.63	81.75	.22	-.18	-1.76	-5.02	6.10	.49 F	8.7	7.0	13.9	14.5	3.00	3.4	11-29-83	3246.1	450.9	2.1	4.56	29.81	1282
Morton Thiokol	MTI	80.00	70.63	71.50	-8.38	-10.49	83.38	55.75	-.16	.63	-.51	26.81	5.15	1.09 S	23.1	17.0	5.2	12.3	1.76	2.5	02-23-84	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	6.25	5.25	5.25	-.88	-14.29	11.38	5.25	-.50	-2.66	.65	40.40	-.03	.00 S	NE	19.0	-3.4	NE	.00	0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	39.13	35.13	37.25	1.50	4.20	44.75	33.63	.28	.67	.03	-6.58	2.73	.62 F	29.3	17.0	11.9	13.6	1.32	3.5	01-26-84	3750.0	447.1	2.0	3.37	12.82	1282
Reid Prov Labs	REID	3.25	3.00	3.00	-.50	-14.29	6.09	1.84	-.33	-1.92	1.96	26.98	.10	.06 S	85.7	64.0	6.1	23.1	.05	1.7	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	19.38	18.00	18.13	-.88	-4.61	29.38	17.13	-.74	-.35	2.40	27.55	2.40	.42 F	21.2	20.0	10.3	7.6	.68	3.8	02-03-84	563.5	58.2	4.0	1.50	13.29	1282
Rorer Group	ROR	29.00	25.25	26.00	-3.00	-10.34	34.25	23.38	-.44	.59	1.86	-19.46	1.82	.15 N	8.3	12.0	9.0	13.4	1.08	4.2	02-06-84	402.4	36.3	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	15.63	12.25	12.88	-2.63	-16.94	29.63	12.25	-.71	-1.07	2.56	36.24	1.13	-.25 S	-23.5	4.0	5.2	15.9	.32	2.5	12-07-83	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	46.00	42.88	45.00	-.25	-.55	55.88	34.75	.39	.36	-2.50	-20.43	2.39	-.17 F	-6.6	14.0	11.6	18.8	.52	1.2	02-06-84	946.0	110.0	2.2	4.10	13.32	1282
Squibb Corp	SQB	49.75	45.50	45.75	-1.63	-3.43	55.63	38.25	.46	-.88	-1.45	6.79	3.01	1.69 N	111.9	2.0	9.2	14.3	1.44	3.1	02-10-84	1660.8	153.6	2.3	6.54	21.29	1282
Sterling Drug	STY	26.75	24.50	24.50	-1.50	-5.77	29.63	23.63	-.17	-.37	1.43	-12.78	2.17	-.01 N	-.4	9.0	7.3	11.2	1.12	4.6	02-09-84	1796.2	132.0	2.8	1.19	14.16	1282
Syntex Corp	SYN	48.00	45.38	46.38	-1.63	-3.39	62.50	45.38	-.36	-.08	.05	-14.38	4.30	.51 Q	12.9	40.0	17.2	10.4	1.60	3.5	02-06-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	18.25	13.25	14.13	-3.63	-20.42	26.00	12.75	-.35	-3.44	1.00	50.77	1.16	.48 N	43.2	69.0	12.7	8.9	.40	2.8	12-23-83	91.0	11.6	4.5	.00	4.53	1182
Upjohn Co	UPJ	59.75	55.75	57.38	.88	1.55	68.75	50.63	.05	-.35	-1.84	-17.47	4.18	.10 N	2.0	5.0	6.9	11.5	2.56	4.5	01-03-84	1828.7	126.0	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	32.63	29.88	30.25	-1.00	-3.20	35.00	26.38	.32	-.58	-.32	-9.04	2.51	.46 F	22.4	-2.0	6.5	12.1	1.48	4.9	02-06-84	3108.3	200.5	2.1	8.51	17.28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

* — Other than a quarterly multiple resulting from a fiscal year change.

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

PHARMACY

Retailers await triphasic birth control pill debut

NEW YORK—As manufacturers search for strategies to increase their shares of the oral contraceptive market, retailers await a new triphasic formula about to be launched.

One strategy employed by industry involves development of new formulations which quickly penetrate the list of leading brands dispensed by drug stores. These products, which weren't even on the market a few short years ago, have added share points to marketers' totals.

For example, Ortho's overall market share gained five points over August 1980 on the strength of Ortho Novum 1/35 and 10/11. At the same time, Nordette paced Wyeth gains and Norinyl 1/35 added extra points to Syntex script totals.

According to Decision Data, the Texas-based market research supplier, two firms—Wyeth and Ortho—dominate the oral contraceptive market with combined shares of 68%.

Retailers and wholesalers meanwhile are gearing up for the next generation of newly formulated birth control pills. *DrSN* has learned that Ortho is prebooking orders for Ortho Novum 777, a triphasic birth control pill soon to be released.

Originally set for a Jan. 20 launch, the product ran into labeling problems at F.D.A. and was put on hold until corrections were made. The new launch date is slated for sometime in March.

Ortho Novum 777 will be available in units of six, with each pack holding 21 or 28 tablets at an estimated AWP of $55.89 and $56.37, respectively. The white, light peach and peach-colored tablets to be taken over successive seven-day periods contain various combinations of norethindrone (either 0.5mg, 0.75mg or 1mg) and ethinyl estradiol (0.035mg).

Two years ago Ortho launched Ortho Novum 10/11, the first biphasic birth control pill in the United States.

The triphasic is said to work in a similar way to the biphasic product. Low doses of progestin are provided in the beginning of a woman's cycle with larger doses later in the cycle. This mimics more closely the normal hormone pattern during a woman's follicular (phase 1) and luteal (phase 2) patterns.

For the past two decades, traditional oral contraceptives have been based on a one phase fixed dose/formulation concept. But that situation changed when Ortho Novum 10/11 was launched in April 1982, a brand now listed among the top six.

Other facts gathered by Decision Data indicate that

- The retail price of leading birth control pills nearly doubled, going from $6.59 per unit in August 1979 to $11.37 in September 1983.
- Percentage of refills continues its upward trend and now averages 76% of all birth control scripts.
- Other participants in this market—Searle, Syntex and Parke-Davis—have watched their market shares erode.

As new formulations and packaging continue to dominate changes and additions to this market, retailers will continue to observe subtle shifts in market share among manufacturers. To date this shift has favored an aggressive marketing stance, a trend which will continue with the launch of triphasic birth control pills.

New formulations strengthen birth control pill market

Drug Description	Manufacturer	% Retail market share Rxs 8/80	% Retail market share Rxs 9/83	% Refills 9/83	Average price 8/80	Average price 9/83	% Retail margin* 8/80	% Retail margin* 9/83
Lo/Ovral	Wyeth	14.8	16.4	76	$8.41	$10.83	2.8	4.5
Ortho Novum 1/50	Ortho	16.0	13.1	76	8.17	11.41	13.5	7.5
Ortho Novum 1/35	Ortho	4.1	12.5	73	7.95	11.40	13.3	8.0
Ovral	Wyeth	14.7	9.9	78	8.58	11.25	3.4	5.0
Ortho Novum 10/11	Ortho	N.A.	6.4	72	N.A.	11.07	N.A.	6.5
Demulen	Searle	7.8	4.8	78	9.36	13.14	2.2	5.0
Norinyl 1/50	Syntex	6.7	4.5	78	8.41	11.30	16.7	7.5
Nordette	Wyeth	N.A.	4.1	71	N.A.	11.23	N.A.	4.0
Ortho Novum 1/80	Ortho	6.1	3.3	77	7.89	11.30	11.5	5.0
Norinyl 1/35	Syntex	N.A.	2.6	72	N.A.	11.26	N.A.	8.0
Ovulen 1mg	Searle	7.3	2.5	82	9.28	13.63	1.5	0.0
Modicon	Ortho	5.1	2.3	76	8.50	11.60	13.7	7.5
Loestrin Fe 1.5/30	Parke Davis	0.9	1.4	76	8.52	11.14	3.4	9.0
Loestrin 1.5/30—2	Parke Davis	1.3	1.2	76	8.97	11.51	5.4	8.0
Top 14 Brands		92.0	86.0	76	8.40	11.37	8.0	5.0
All Others		8.0	14.0	77	9.19	12.93	11.5	14.0
Total		100.0	100.0	76	8.50	11.57	8.0	6.0

*Note margin is derived by substituting average wholesale price for retailers' costs.

Source: Decision Data

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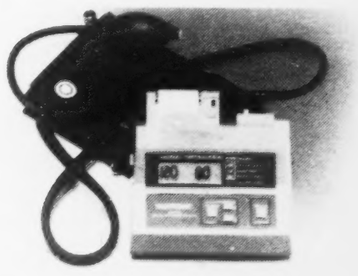
Drug Retailers Discovering Profit Opportunities In Digital Blood Pressure.

After several years of spadework, drug retailers, both chains and independents, are discovering sales and profit opportunities in digital blood pressure units for the home. While most all chains and independents have carried manual blood pressure kits (aneroids with stethoscopes) and many carried analog electronic (no steth required), very few carried digital units, which retailed at $100 and over.



Recently, several companies have brought out digitals to retail at $69. And the onslaught of sales calls, coupled with consumer advertising, has encouraged many drug outlets to handle digitals.

First returns are extremely positive. Drug outlets are finding out what some other retailers have known for a long time, that digitals are big sellers and big profit-makers. Many chains are reporting that digitals are selling very well; independents are saying the same. Dollars of sales are reaching exciting new levels.

At the same time that the digitals hit at $69 retail, several companies introduced high end digitals with meaningful features: units with tape readouts, with automatic inflation (no more bulb) and with both features combined. Currently, these are retailing at $150 to $250. And units with "above systolic" signals, and "beeping-while-taking" have been around at $100. It's too early to tell how they're doing in the drug industry, only a few are yet handling them, but these feature-loaded units are selling very strongly in mail order catalog and discount store operations. Much stronger than ever expected.

The prognosis is they will be big sellers in drug outlets: (1) because people with hypertension trade themselves up to the better units; and (2) because blood pressure monitors are normally and naturally thought to be available in drugstores.

We think smart merchants are into digitals, or are about to go into them. And we think the smartest merchants are into trade-up digitals.

Prepared as a service to the industry by The Lumiscope Company, 375 Raritan Center Parkway, Edison, New Jersey 08837.

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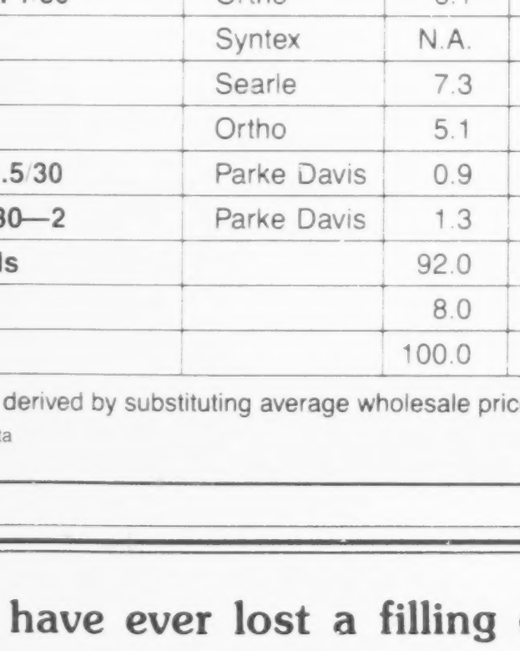

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Pay 'n Save reorganizes

SEATTLE—With the resignation of Ralph Heilman at Pay 'n Save, the office of director of professional services has been abolished and pharmacy/optical has been reorganized.

Under the new setup, Dan Connolly, a 17-year Pay 'n Save veteran, has been promoted to pharmacy/optical coordinator.

Reporting to Connolly are pharmacy supervisors (Pay 'n Save calls them lead pharmacists), who are each responsible for groups of 10 or 11 stores. Also reporting to Connolly is Julie Clayton, optical center supervisor.

In turn, Dan Connolly reports to Jim Agopsowicz, director of pharmacy and OTC, who reports to Stan Johnson, Northwest regional manager. There are 88 Pay 'n Save stores in the Northwest region which includes California, Washington, Montana, Wyoming and Idaho.

Dave Palmer, long-time pharmacy supervisor, is now on special assignment on Pay 'n Save's front-end scanning program.

MERCHANDISER

Rxmen can clear up allergy confusion

By Jim Ricchiuti

Despite the fact that more than 36 million Americans suffer from allergies, many consumers still have difficulty distinguishing between a cold remedy and an allergy relief product.

Consumers aren't the only ones confused. Buyers at drug chains say that while they do their best to separate allergy products from cough/cold items, there is still a great deal of cross-over in the category. Even the 30% to 40% margins typical of allergy products resemble those generated by OTC cold products.

The reason that cough/cold remedies and allergy products are so closely associated is because cold symptoms are often nearly identical to those experienced by allergy sufferers. The most common complaints of cold and allergy sufferers include runny nose, eye and nose itchiness, coughing, sneezing, sore throats, swollen sinuses and constricted breathing.

The fact that cold and allergy sufferers share many of the same symptoms has led many manufacturers to market products that claim to be effective for both colds and allergies. The principal ingredient of many allergy products, antihistamines, is frequently found in many of the cold relief products. Indeed, the packaging and advertising strategies drawn for these products are directed at both groups.

This has left the drug retailers with two choices. Chains may either merchandise both products in the same manner and let consumers make the ultimate decision or they may take the initiative to inform the consumer through shelf talkers and more importantly through pharmacist referrals

With many of the leading cold remedies containing antihistamines, consumers are frequently hard pressed to tell the difference between an allergy prep and a cold remedy.

about the products that would be most effective in treating their allergy symptoms.

Michael Whitfield, buyer for Hook Drugs in Indianapolis, says that while cough/cold products and allergy preps contain many of the same ingredients, "there are actually two different user groups."

At Hooks, Whitfield said if store pharmacists see the same customer repeatedly purchasing cold remedies, they will discuss the symptoms with the person. He said that frequently the pharmacist will determine that the customer needs an allergy product instead.

"The pharmacists are our trump card against discounters and groceries," agrees Dennis Osborne, buyer at Begley Drugs in Richmond, Ky. "Allergy products are one item that I feel drug stores do better with than discount stores or groceries because of pharmacy referrals. Customers come in and if they are not quite sure what kind of allergy product they need they will ask for recommendations."

Generally, drug stores have been insulated from the competitive onslaught of supermarkets and discount stores in the allergy department. Figures compiled by A. C. Nielsen Co. indicate that the cold tablets/allergy products categories are still dominated by drug stores. In 1982 drug stores accounted for approximately 52% of the market. During 1982 food and drug stores generated dollar sales increases of 16% and 15%, respectively.

Drug stores have been less vulnerable to losing market share in the allergy products category because they almost always carry a much greater assortment than do supermarkets or discount stores.

One buyer for a major Midwestern drug chain noted, "There is still a feeling among consumers that drug stores have a much broader selection of allergy preps." He added that because allergy products traditionally don't turn as fast as some products in the cough cold category, other retailers such as supermarkets don't promote them as aggressively. Allergy products traditionally turn six to eight times annually.

In addition, chains have been aided by manufacturers' advertising tag lines such as "Recommended By Most Pharmacists" and "Available At Most Drug Stores."

Altough both manufacturers and drug chains advertise allergy products throughout the year, the peak allergy season generally begins in the spring and continues through the fall. Of the estimated 36 million Americans with allergy problems, approximately 15

Continued on page 36

Though sports medicine manufacturers say that the target user group is still the young and active, growing numbers of middle-aged people are participating in sports and physical recreational activities.

Burgeoning sports medicine category lacks dept. identity

With the number of Americans taking part in some form of exercise on a regular basis estimated to be more than 100 million, medical authorities are reporting an increasing number of sports-related injuries.

The growth of injuries stemming from the population's penchant for staying in shape is opening a significant market for sports medicine-related products.

A recent study by the Consumer Products Safety Commission revealed that more than 11 million Americans are injuring themselves each year in sports-related activities. The injury rate also is said to be growing by 8% a year.

But while the market for sports medicine products continues to increase each year, drug chains are still having difficulty defining items that can be placed in the sports medicine category. And once identified, a number of drug retailers have been reluctant to merchandise these products under the sports medicine banner.

Despite carrying profit margins of 45% or more, drug chains have been less than enthusiastic in embracing sports medicine departments. While most buyers today recognize that there is a market for sports medicine, many drug retailers remain divided as to its potential size and as to whether or not sports medicine should be considered a separate department outside of first aid, foot care, or in some cases, sporting goods departments.

Other opponents of sports medicine departments point out that since drug stores already stock many of the products that can be considered part of the sports medicine category, cross merchandising these items in a separate department would be unproductive.

"Sports medicine is a handle," says John Rudden, a buyer at Peoples Drug Stores. "It is something that you can promote on a periodic or seasonal basis with an off-shelf display."

But Rudden is convinced that sports medicine is not a permanent department 365 days of the year. No retailer can justify the inventory investment required to merchandise a product such as an Athlete's Foot spray in two separate areas of the store on an every-day basis, says Rudden.

At Peoples, sports medicine is promoted several times during the year, usually during the spring and summer months.

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MERCHANDISER

Rxman advice helps relieve allergy shopper's confusion

Continued from page 33

million are sufferers of hay fever, according to the American Academy of Allergists and Immunologists.

At the start of hay fever season some chains such as Gray Drug Fair, Hooks and Bill's merchandise their leading allergy relief products in an endcap display directly in front of the pharmacy. The endcaps, in addition to carrying five to seven allergy products, also frequently will include other seasonal items such as first aid and suncare products.

Hooks drug stores use endcap and table displays and floor stands during the height of the season. Buyer Whitfield also noted that the chain has been successful merchandising related peripheral items such as handkerchiefs and tissues.

One manager at a Bill's Drugs, based in Lafayette, Calif., said the chain allocates a 6-ft. section with approximately 80 facings for allergy items. By using occasional endcaps and counter displays, he has been able to free up space in the department for some of the chain's generic allergy products.

"We try to get some generics in there and tie them in with some of the national brand products," he said.

Using separate endcap displays also helps consumers distinguish the allergy products from the cough/cold department, some buyers say. However, most agree that there will always be a certain amount of confusion among consumers regarding this category.

"We try our best to segregate allergy products from cough/cold, but I don't think the majority of the American public knows the difference between antihistamines and decongestants," notes Michael Doylk, buyer at Gray Drug Fair. "I just don't think that there will be any chain or drug store that will come up with a pure allergy section in the near future."

At Begley Drugs, buyer Osborne is reluctant to use endcaps for allergy products. "I haven't felt that an allergy endcap is needed," says Osborne. "There is a degree of seasonality in the category and you can paint yourself into a corner if the season never materializes."

One thing that most buyers agree on is that the category is still in a period of transition following the change of status from prescription to OTC of Drixoral and Actifed in 1981. In addition to the strong gains made by these products in the short time that they have been available over the counter, there have been a number of line extensions from existing products.

"It's the most saturated section in our stores," said Gray Drug Fair's Doylk. "You not only have flavors, you have all the different sizes."

In the past year there have been more new products to come to out of the cough/cold category which can be used to relieve allergy symptoms than pure allergy products. Hooks' buyer Whitfield says that the reason there isn't the same influx of new products in the allergy category is simply because the market isn't as big as cough/colds.

However, one of the new allergy products that has attracted the attention of buyers is the new Allerest Sinus Pain Formula, a maximum strength allergy relief product that contains acetominophen. One of the reasons buyers are excited about it is because Pharmcraft, the manufacturer, is expected to support it with heavy television advertising.

Some retailers also believe that manufacturers' advertising can also help clear up confusion consumers may have over whether or not they should use a cold remedy product to relieve their allergy symptoms.

But as one buyer noted, even many of the manufacturers aren't sure if their products should be merchandised in the cough/cold section or in the allergy section. He said that when he asks where a product should go a common response from the vendor is to "put it in the big section and it will sell."

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SUCCESS II—Another super-glue for the toughest home repair jobs on almost any surface—even wood and leather. An economy size for convenience and self-puncturing for safety.

SUCCESS SILICONE SEALANTS—For a tough, waterproof seal, give them Success Silicone Sealants. They're packaged in unique injectors for total product usage. No mess, no waste. Available in black, white and clear.

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DRUG STORE NEWS®

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Imasco to acquire Peoples in record deal

Acquisition valued at $320 million

By Jim Ricchiuti

MONTREAL—Imasco Ltd., the diversified Canadian Company, is poised to complete the largest acquisition in chain drug history with its planned purchase of Peoples Drug Stores, a deal valued at $320 million.

The acquisition, the first by a foreign-based company of a large United States drug chain, will add a second major North American drug operation to Imasco's holdings. It already owns Shoppers Drug Mart, Canada's largest drug chain.

The two chains, which collectively will operate more than 1,000 drug stores throughout Canada and the Southeastern United States, will continue to function autonomously under the direction of their respective management teams.

The friendly tender offer of $34 (United States) per share has been approved by Peoples' board and the executive committee of Imasco's board of directors. At the close of trading on Friday, Feb. 24, Peoples stock, which is traded on the New York Stock Exchange, closed at $24.62, up $3.50. Trading of Peoples stock was suspended at the opening session on Monday, Feb. 26.

According to Imasco, three stockholders who together control more than 2.7 million shares or 35.2% of Peoples' total outstanding common stock, have accepted the $34 offer. They include Adrian C. Israel, chairman of the Alexandria-based drug chain, and Sheldon W. Fantle, Peoples' president and ceo.

The Montreal-based Imasco, whose other holdings include Imperial Tobacco, Canada's largest tobacco company, and Hardee's Food Systems, one of the largest fast-food chains in the United States will soon initiate a tender offer for all of Peoples 7.7 million outstanding shares. The company also will offer $1,700 in cash for all of Peoples 8.75% convertible debentures, estimated at approximately $33 million.

Both companies said that the merger was subject to the approval of shareholders and "certain other conditions."

Acquisition Unforeseen

While it was no secret that the cash-rich Imasco was actively pursuing a United States drug chain, few industry insiders expected a marriage that would include Peoples. However, sources close to the 68-year-old Israel, who has been chairman of the chain since 1976 and who controls approximately 32.2% of the company, said that he has been in poor health for the past year. Israel could not be reached for comment on the merger.

Analysts questioned as to the impact of the merger on Peoples' operation viewed the acquisition as mutually beneficial for both companies providing the Peoples management team is kept in place. Fantle is largely credited with turning around Peoples in the eight years he has been president.

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Eckerd 1st half profits leap 22%

CLEARWATER, Fla.—After two years of depressed earnings, the Jack Eckerd Corporation is breaking out of its doldrums.

The nation's second-largest drug chain has just ended the first six months of fiscal 1984 with a 22% surge in earnings on a 14% gain in sales.

The company's 1,391-unit drug division performed particularly well: Operating profits were up 26% to $96.3 million, while sales were up 14% to $1.121 billion.

For the first time also, the company's troubled video division broke into the black with a small $1.2 million operating profit. Last year that division took a $9.9 million loss.

Wall Street analysts who follow the company predict that Eckerd is about to have a "record fiscal 1984." Some are estimating that earnings may range as high as $96 million. Last year Eckerd's corporate earnings only reached $71.1 million, just a 1.4% increase

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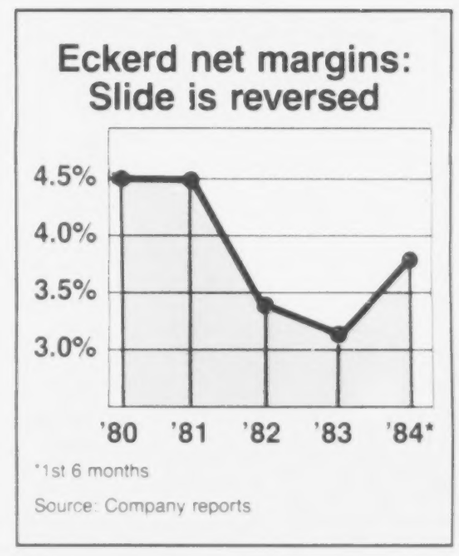

LATE NEWS

LONGS DRUG STORES reported an 18% increase in earnings on an 8% rise in sales for the year ended Jan. 26. Net income totaled $36.4 million, or $3.43 a share, compared to the previous year's $30.9 million, or $2.92 a share. Sales increased to $1.21 billion from $1.12 billion. Unaudited net income for the fourth quarter rose 16% to $11.4 million, or $1.07 a share, while unaudited sales were up 8% to $350 million.

PAY LESS DRUG STORES reported that earnings for the year ended Jan. 31 increased 27.6% to $24.7 million, or $1.35 a share, from $19.4 million, or $1.07 a share, a year earlier. Sales rose 8.7% to $853 million from $785 million. The company's net-to-sales ratio for the year increased by a strong 0.4 of a percentage point to 2.9%. Fourth quarter earnings increased 30% to $12.7 million on a year-to-year basis, while sales advanced 11.6% to $248 million.

MEDICARE-GLASER, in a continuing program of rounding out its total health care concept, has announced plans to open its first home health care center in May of this year. The St. Louis-based drug chain also announced its intention to open "several deep-discount" drug stores during the remainder of this year.

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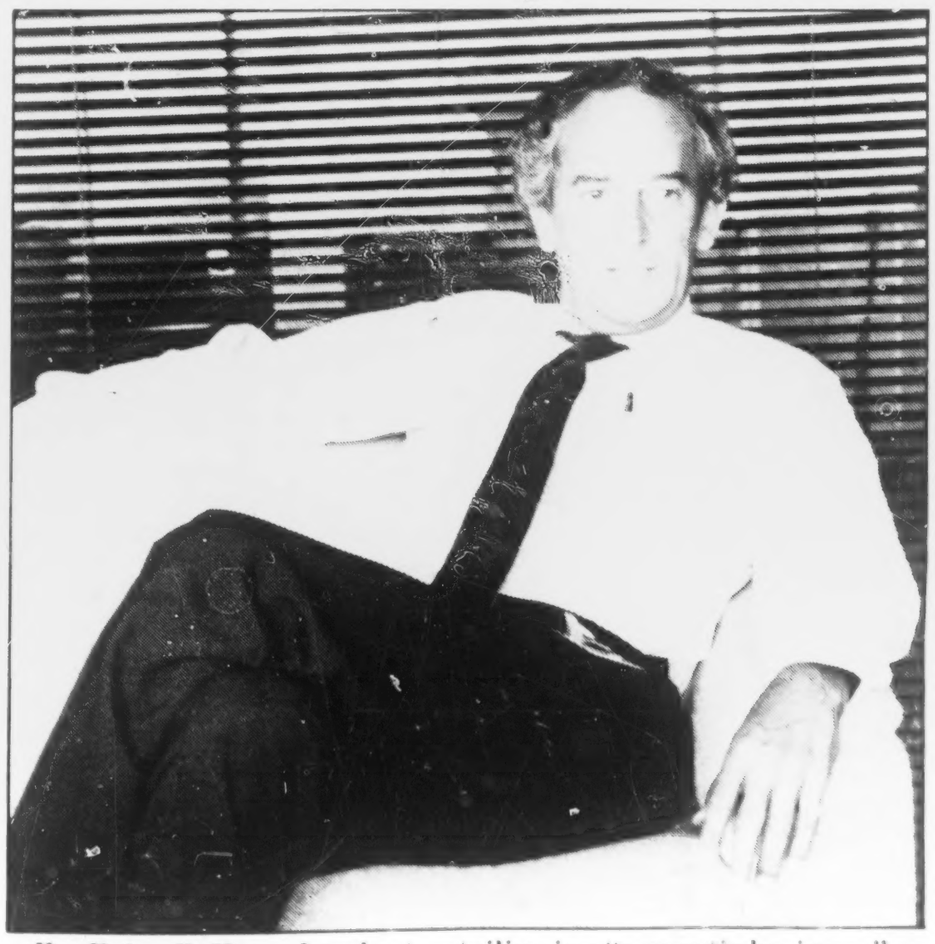
Eckerd prez reflects on upsurge

Lambert: 'People are excited again'



For Eckerd's Harry Lambert, retailing is a "romantic business." His "wooing" of shoppers with new ads and hotter products is sparking a turnaround.

By Liz Parks

In the retail drug world today, there is one word that keeps cropping up when you talk about Harry Lambert, the man who for the past eight months has been in charge of the 1,319-unit Eckerd Drug chain.

That word is "momentum."

People say Lambert has taken a chain that was disheartened when earnings dropped after so many successful years and has given it back its old enthusiasm and energy. "Its zest," one New York-based security analyst says.

Lambert uses the word himself when he talks about Eckerd, which just completed the most successful first six months in its history. Profits for the period not only were sharply higher than earnings for the relatively weak year-earlier period, but far outstripped the first six months of fiscal 1981, a blockbuster year. Analysts now project that profits for the year will reach as high as $96 million.

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FINANCIAL

Controls credited

Pay 'n Save earnings soar

SEATTLE—The Pay 'n Save Corp. reported a 54% increase in earnings for the year ended Jan. 28. Sales for the year rose 12%.

According to M. Lamont Bean, chairman, net profits for the diversified retailing company increased to $30.1 million on sales of $1.22 billion, compared to earnings of $19.6 million on sales of $1.09 billion in the previous fiscal year.

Earnings per share were $2.02, up from $1.41 a year earlier.

Sales and earnings figures for the two years were restated to reflect the combined results of Pay 'n Save and Schuck's Auto Supply, which Pay 'n Save acquired in a "pooling of interests" transaction on Jan. 27 of this year. Earnings per share were also restated to reflect a 2-for-1 stock split in May 1983.

Bean said the improved earnings were the result of "solid sales increases combined with good control over growth in operating and administrative expenses." He added that gross margins improved "modestly," while interest expense declined to $17.9 million from $22.6 million a year earlier.

For the fourth quarter, earnings increased 17% to $10.8 million, or 70¢ a share, from $9.3 million, or 66¢ a share, in the year-earlier period. Sales rose 14% to $362.4 million from $318.8 million.

At the close of the year, Pay 'n Save was operating a total of 315 stores, including 111 Pay 'n Save drug stores, 69 Ernst Home Centers, 58 Schuck's Auto Supply stores, 32 Bi-Mart discount stores, 24 Lamonts apparel stores, 15 Sportswest sporting goods stores, three Yard Birds general merchandise stores and three Von Tobel's home improvement centers.

In a letter to shareholders, Bean mentioned other accomplishments for the year, including:

- Raising $30 million in equity capital through the sale of common stock.
- Completion of a long-term plan for upgrading its management information systems.
- Completion of plans for a new wholesale cash-and-carry business called Price Savers Wholesale club, the first of which was set to open in Salt Lake City.
- Acquisition of Northwestern Drug, a $130 million wholesaler of pharmaceuticals, OTC drugs and health and beauty aids.

Hook nets $8.7 million, up 32% over last year

INDIANAPOLIS—Hook Drug reported a 32% increase in net earnings for the year ended Dec. 31 and a sales gain of 12.4%.

For the year, earnings rose to $8.7 million, or $2.01 a share, from $6.6 million, or $1.52 a year, for the previous year. Sales reached $320.5 million compared to $285.2 million in 1982.

J. Douglas Reeves, chairman and president, called the results "impressive and highly gratifying." In addition to the financial results, Reeves said the year was "outstanding" in other "important ways," including the following:

—Prescription sales advanced 20% and exceeded $100 million for the first time in the chain's history.

—The addition of 20 new drug stores and two convalescent aids outlets made 1983 the "most vigorous" in growth since 1969.

Reeves commented on one area of disappointment for Hooks, and "that was the softening of fourth-quarter earnings."

For the quarter, net profits fell 4.1% to $3.1 million, or 72¢ a share, from $3.2 million, or 75¢ a share, in the corresponding year-earlier period. Sales for the quarter rose 9.5% to $87.8 million from $80.2 million.

Reeves attributed the earnings decline to a weakening in the usually strong sales increases in December. In the last 15 days of the month, the chain's Midwestern market strongholds experienced unusually bitter winter weather, he said.

Most drug chain stocks advance after sharp falloff

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		2/10/84-2/27/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate						Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio			Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	14 38	12 63	14 38	1 25	9 52	24 88	11 50	-91	1 36	1 69	4 07	1 12	39 N	42 8	17 0	1 6	11 1	04	3	12-09-83	286 2	4 6	2 8	8 00	9 74	1282
Am Stores	ASC	33 50	32 00	33 00	25	76	44 00	24 19	-07	-27	-4 37	4 46	2 69	87 N	35 2	44 0	1 2	9 9	48	1 5	12-09-83	7507 8	90 4	1 4	11 95	12 14	0183
Begley Drug	BGLY	16 25	16 25	16 25	00	00	24 00	14 00	26	-80	-2 72	00	1 47	1 46 N	NC	-10 0	%	11 1	68	4 2	01-16-84	56 8	8	1 8	11 50	17 52	0383
Big B	BIGB	11 63	10 75	11 25	38	3 45	14 50	7 25	-04	-1 11	47	-18 81	39	12 N	34 2	25 0	2 9	23 9	00	0	09-21-83	87 4	2 5	2 5	21	3 36	1282
Dart Drug Corp	DRUGA	60 00	57 00	58 00	-2 00	-3 33	48 00	34 50	-19	-44	-3 01	-50 93	5 43	6 32 N	207 2	67 0	3 1	6 2	13	2	12-06-83	291 8	9 1	2 0	12 01	28 91	0183
Drug Sys	DRGS	7 00	5 25	7 00	1 63	30 23	9 31	5 25	-27	1 81	4 27	-47 09	55	65 N	NC	NC	2 6	10 8	00	0	01-25-84	26 7	7	2 8	2 40	3 12	0383
Eckerd Jack	ECK	25 00	23 50	24 88	75	3 11	34 88	23 50	-02	06	2 10	-10 77	1 91	16 Q	8 8	4 0	3 1	12 7	1 00	4 0	03-12-84	2325 0	71 7	2 0	30	15 17	0783
Fay s Drug	FAY	12 38	10 75	12 00	1 00	9 09	14 50	8 81	14	15	-34	8 09	48	13 N	31 7	32 0	2 0	22 2	14	1 2	03-19-84	270 3	5 5	2 0	2 17	2 23	0183
Genovese Drug	GDX	14 50	12 00	14 00	2 13	17 89	20 50	8 03	-06	-1 30	1 73	-7 59	67	26 N	45 6	32 0	1 6	16 9	20	1 4	12-28-83	158 7	2 6	1 7	1 90	4 95	0183
Hook Drugs	HOOK	25 25	22 50	22 75	-3 00	-11 65	29 75	18 50	-41	-2 61	-87	-41 83	1 52	73 N	55 7	10 0	2 3	11 2	1 00	4 4	01-09-84	285 2	6 6	1 7	2 86	9 37	1282
Longs Drg Strs	LDG	45 75	41 00	45 63	3 25	7 67	50 13	39 13	-20	1 38	-06	23 51	2 92	46 N	16 3	10 0	2 8	13 9	1 12	2 5	11-22-83	1123 2	30 9	1 8	00	18 76	0183
Pay N Save	PAYN	21 00	17 50	19 13	-63	-3 16	28 75	17 50	-42	-2 95	1 38	-3 64	1 52	89 N	69 5	4 0	1 6	8 8	60	3 1	02-17-84	1043 2	16 8	2 3	17 01	14 32	0183
Pay Less NW	PAY	16 50	14 00	16 50	1 50	10 00	20 19	13 50	-22	1 93	2 62	3 53	1 07	21 N	21 2	0	2 5	13 8	27	1 6	03-19-84	784 7	19 4	2 0	5 26	6 07	0183
Peoples Drug	PDG	24 63	20 38	24 63	4 00	19 39	31 75	20 25	-18	3 39	9 50	6 90	1 79	40 F	28 7	23 0	1 7	13 8	28	1 1	02-17-84	791 1	13 7	1 8	4 92	11 56	0983
Perry Drug	PDS	15 88	14 63	15 63	88	5 93	22 38	11 44	-40	-1 11	1 68	3 58	1 02	29 F	39 7	7 0	1 6	15 3	24	1 5	02-21-84	285 5	4 5	1 9	6 04	6 50	1082
Revco Drug	RDS	32 50	29 25	32 00	1 25	4 07	37 50	26 50	-14	1 11	1 91	-1 16	2 13	53 S	29 9	24 0	3 7	13 9	68	2 1	02-17-84	1792 8	66 5	2 5	1 33	11 59	0583
Rite Aid Corp	RAD	20 25	17 88	20 00	2 00	11 11	23 44	15 63	27	1 26	-1 06	26 75	1 19	61 N	83 5	26 0	3 9	14 9	40	2 0	01-30-84	1294 7	49 9	1 7	59	6 19	0283
Thrifty Cp	TFD	15 50	14 13	15 50	1 38	9 73	25 25	10 36	-08	82	-1 11	32 40	1 13	21 F	22 8	18 0	1 9	13 7	52	3 4	02-06-84	1187 8	22 5	1 5	5 39	6 83	0883
Walgreen Co	WAG	34 25	31 13	34 25	63	1 86	40 38	26 50	-33	63	-3 15	-44 65	2 24	46 Q	24 4	34 0	2 9	14 6	72	2 1	02-10-84	2360 6	69 0	1 6	1 76	11 47	0883
Wholesaler's transactions																											
Berger Bruns	BBCA	23 13	22 00	22 38	00	00	39 50	21 00	-39	-94	5 68	-6 80	1 60	24 Q	17 0	40 0	1 4	13 6	32	1 4	01-26-84	1452 0	20 0	1 6	1 22	9 99	0883
McKesson Cp	MCK	39 50	37 75	38 38	-75	-1 92	51 00	37 50	01	-71	-69	-21 92	3 44	38 N	11 7	5 0	1 6	10 6	2 40	6 3	02-24-84	4053 7	63 2	1 5	15 78	29 70	0383
Foxmeyer Cp	FOXM	23 88	22 25	23 88	1 13	4 95	28 50	22 25	-17	73	-1 60	-63 39	94	1 43 N	NC	103 0	7	16 7	00	0	00-00-00	351 1	2 3	2 2	15 38	3 87	0383
Ketchum	KCH	15 88	14 38	15 25	1 00	7 02	21 00	11 19	-1 07	40	-45	-25 83	89	49 S	106 5	112 0	4	16 1	00	0	09-26-83	211 4	9	1 5	5 87	5 68	0483
Owens & Minor	OBOD	13 50	13 00	13 50	00	00	19 25	13 00	-28	-76	-84	1 69	1 41	64 F	83 1	8 0	1 2	9 6	32	2 4	12-09-83	255 2	3 0	2 8	10 55	9 76	1282
Spectro Indus	SPO	18 00	17 00	17 75	-25	-1 39	28 75	17 00	-41	-72	-2 71	-35 03	1 35	31 N	25 0	48 0	1 6	11 5	14	8	12-29-83	339 1	5 4	1 7	2 86	7 24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	46 00	40 38	43 50	-1 00	-2 25	53 38	40 38	15	10	27	-30 62	2 86	49 F	20 6	28 0	11 9	15 2	1 00	2 3	01-09-84	2927 9	347 6	1 3	1 56	10 74	1282
Am Home Prod	AHP	52 63	48 63	52 63	2 63	5 25	54 75	42 88	30	47	1 08	3 90	4 00	41 F	11 4	17 0	12 9	13 2	2 64	5 0	02-06-84	4856 5	627 2	2 7	00	11 83	1282
Baxter Travenol	BAX	21 00	17 00	18 38	-1 63	-8 13	31 31	17 00	-34	11	3 67	-38 57	1 45	23 F	18 8	28 0	11 8	12 7	33	1 8	03-23-84	1842 5	218 1	2 0	1 18	7 52	1282
Block Drugs Co	BLOCA	28 25	27 00	27 00	-1 25	-4 42	34 47	21 38	34	-1 33	4 36	-22 50	2 85	47 N	17 6	14 0	9 7	8 6	1 00	3 7	02-24-84	219 0	21 3	2 5	2 35	17 84	0383
Bristol-Myers	BMY	44 38	41 00	43 50	25	58	47 88	34 50	20	03	1 16	14 35	3 00	41 F	15 8	19 0	10 4	14 5	1 20	2 8	12-30-83	3917 0	408 0	2 3	84	12 68	1282
Carter-Wallace	CAR	26 38	24 75	25 25	25	1 00	29 00	18 00	54	-74	-2 97	28 16	2 12	31 N	15 5	35 0	5 7	10 9	48	1 9	02-06-84	289 9	16 5	2 6	1 57	20 15	0383
Cooper Labs	COO	11 63	10 50	11 50	50	4 55	13 75	10 38	-23	-03	-6 20	-8 96	NA	NA	NA	NA	NA	NA	00	0	00-00-00	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	21 00	18 25	21 00	50	2 44	40 75	18 25	-1 76	1 46	3 33	-13 88	48	-02 N	-3 5	57 0	13 4	38 9	00	0	01-14-83	18 6	2 5	3 7	37	3 03	0383
ICN Pharm	ICN	6 13	4 88	5 63	-38	-6 25	15 25	4 88	-77	-57	5 35	-8 88	42	-11 N	-27 5	38 0	7 8	19 4	00	0	00-00-00	38 7	3 0	1 8	65	3 81	1182
Key Pharm	KPH	16 88	13 38	15 00	-1 38	-8 40	25 94	13 38	-82	-46	5 30	-2 90	51	17 F	50 0	60 0	14 8	29 4	13	9	11-04-83	127 3	18 8	1 6	03	1 14	1282
Lilly Eli Co	LLY	65 38	62 00	65 13	3 13	5 04	68 38	56 75	53	-36	24	-10 29	5 42	62 N	11 8	13 0	13 9	11 1	2 90	4 5	02-08-84	2962 7	411 8	1 9	65	27 10	1282
Lee Pharm	LPH	2 88	2 50	2 88	25	9 52	4 38	2 00	59	1 21	69	-8 68	-49	54 Q	NE	-57 0	-14 3	NE	00	0	00-00-00	7 0	-1 0	1 9	46	1 98	0982
Marion Labs	MKC	31 50	27 25	30 25	-63	-2 02	48 00	27 25	-81	32	1 04	1 51	78	43 S	72 8	15 0	8 2	29 7	40	1 3	03-14-84	181 2	14 8	2 5	05	5 93	0683
Merck & Co	MRK	94 00	88 13	93 63	5 38	6 09	104 63	81 75	41	-03	-1 45	15 28	6 10	49 F	8 7	7 0	13 9	15 3	3 00	3 2	11-29-83	3246 1	450 9	2 1	4 56	29 81	1282
Morton Thiokol	MTI	72 88	69 75	70 13	-2 13	-2 94	83 38	58 50	-26	-1 48	4 91	28 87	5 15	1 09 S	23 1	17 0	5 2	12 1	1 76	2 5	02-23-84	1509 2	78 5	1 4	8 90	32 79	0683
Newport Ph	NWPH	6 00	5 13	5 88	38	6 82	11 38	5 13	-42	-1 19	1 81	-38 49	-03	00 S	NE	19 0	-3 4	NE	00	0	00-00-00	8 8	-3	3 7	24	1 12	0483
Pfizer Inc	PFE	38 25	34 75	38 00	75	2 01	44 75	33 88	32	1 36	31	3 92	2 73	62 F	29 3	17 0	11 9	13 9	1 32	3 5	01-26-84	3750 0	447 1	2 0	3 37	12 82	1282
Reid Prov Labs	REID	3 00	2 75	3 00	00	00	6 09	1 84	-38	1 73	3 69	-32 77	10	06 S	85 7	64 0	6 1	23 1	05	1 7	12-09-83	11 4	7	3 1	03	80	0683
Robins, AH	RAH	18 38	16 63	18 38	13	68	29 38	16 63	-63	1 64	-1 10	-13 64	2 40	42 F	21 2	20 0	10 3	7 7	68	3 7	02-03-84	563 5	58 2	4 0	1 50	13 29	1282
Rorer Group	ROR	28 25	25 50	28 25	2 63	10 24	34 25	23 50	-19	27	-22	76	2 02	22 F	12 2	11 0	8 9	14 0	1 08	3 8	02-06-84	475 3	42 4	2 1	1 13	9 54	1282
Scherer RP Co	SCHC	14 00	12 75	13 88	75	5 71	29 63	12 25	-69	-69	-76	37 15	1 13	-39 N	-36 7	2 0	5 2	20 7	32	2 3	03-14-84	169 7	8 8	2 5	4 57	10 88	0383
Searle, GD	SRL	47 38	44 00	47 25	2 00	4 42	55 88	34 75	48	65	-1 33	2 04	2 39	-17 F	-6 6	14 0	11 6	19 8	52	1 1	02-06-84	946 0	110 0	2 2	4 10	13 32	1282
Squibb Corp	SQB	47 25	44 25	46 50	00	00	55 63	38 25	26	-25	-2 09	-19 19	3 01	1 69 N	111 9	2 0	9 2	14 5	1 44	3 1	02-10-84	1669 8	153 6	2 3	6 54	21 29	1282
Sterling Drug	STY	25 25	23 50	24 75	-13	-50	29 63	23 50	-03	-83	-4 11	-20 00	2 24	07 F	3 2	8 0	7 2	11 0	1 12	4 5	02-09-84	1901 2	136 8	2 8	1 19	14 16	1282
Syntex Corp	SYN	47 25	42 13	42 88	-3 38	-7 30	62 50	42 13	-07	-2 86	-1 99	2 46	4 30	51 Q	12 9	40 0	17 2	9 7	1 60	3 7	02-06-84	870 2	149 3	2 2	3 37	18 11	0783
Thompson Med	TM	15 50	13 38	15 50	2 13	15 89	26 00	12 75	-73	2 16	14	-10 24	1 65	43 F	42 2	89 0	11 0	9 4	40	2 6	12-23-83	149 4	16 5	4 5	00	4 53	1182
Upjohn Co	UPJ	57 75	55 25	57 25	-25	-43	68 75	50 63	10	-53	-76	13 70	5 28	1 10 F	26 3	1 0	8 1	10 8	2 56	4 5	01-03-84	1986 1	160 2	2 0	15 26	32 19	1282
Warner-Lambrt	WLA	32 13	29 88	32 00	75	2 40	35 00	26 38	24	06	-15	-1 71	2 51	46 F	22 4	-2 0	6 5	12 7	1 48	4 6	02-06-84	3108 3	200 5	2 1	8 51	17 28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

* — Other than a quarterly multiple resulting from a fiscal year change.

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

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MERCHANDISER

Drug stores are waging convenience food war

By Jim Ricchiuti

Drug stores with convenience food formats may end up as one of the winners in a battle shaping up between high-volume food/drug combos and small, conventional supermarket chains.

When the dust settles from this struggle between the large 50,000-sq.-ft. combos and 20,000-sq.-ft. to 30,000-sq.-ft. supermarket chains, which is expected to intensify during the latter part of this decade, the likelihood is that the sprawling superstores will prevail.

Drug retailers are eying this battle for market share as an opportunity to develop effective convenience food merchandising strategies. Chains may be able to position themselves as alternatives to the combos, which through their sheer size have a tendency to disorient customers.

"Our business is going through more changes than anyone realizes," says Bill Wood, vp and general manager of the Portland, Me.-based Wellby Super Drug, a division of the large chain food operator, Hanaford Brothers. "The question we have to ask ourselves is this: With the increasing market share of supermarkets and the decreasing share of drug stores, can drug stores be as competitive in prices as they are today? Or, will drug stores take an alternate position and become more of a super convenience store."

Wood believes that mini-combos can fill a void in the marketplace, in particular the market made up of two-income households. Currently an estimated 54% of American households fall into this category.

Few drug retailers can discount the success of the convenience food store industry, the other end of the retail food spectrum. Southland Corp., with its chain of 7-Eleven stores, and numerous convenience food store competitors, have witnessed an eightfold increase in sales during a 10-year period from 1972 through 1982.

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Consumers realize that drug stores carry certain food items such as luncheon meats as a service that is going to cost more, retailers say.

TOBACCO

Last year tobacco sales were boosted by price increases. Unit consumption, however, dipped and this year drug chains are trying to renew movement by featuring new brands and better displays.

Generics, 'fancy brands' boost tobacco sales

To combat dwindling cigarette usage, drug retailers are banking on generic cigarettes, prestige-style brands and snuff-like moist tobacco to maintain their estimated 16% of the total market. Drug store retailers also say they'll promote harder and improve in-store displays.

There's no denying that health threats and 20% price hikes have caused consumption to shrink. Figures from the U.S. Department of Agriculture show that production of cigarettes slipped 5% in 1983 to 603 billion units. Production of packs, large and small cigars, pipe tobacco and chewing tobacco also fell. The only segment showing an increase was snuff.

But that news didn't translate into sagging sales at drug store counters. Tobacco sales rose 6% in chain drug stores to $2.56 billion in 1983 and accounted for 8% of total chain sales. But buyers are looking beyond price increment, and are using new items to hoist sales as much as 10% in the second half of 1984. Indeed, tobacco is still a viable category that provides a strong consumer draw for the drug chain.

For example:

—Department turns of 15 times per year make tobacco the highest of all drug store categories.

—Counter displays can produce up to $400 per square foot.

—Attractive retail display allowances result in "very lucrative" agreements between vendors and retailers.

—Stable margins are in the 20% range.

Chains are expecting even more from this department thanks to product innovations. Probably the biggest item today, buyers report, is Skoal Bandits. Manufactured by U.S. Tobacco, Skoal Bandits is tobacco in a teabag-like pouch. A user places it between the cheek and gum and enjoys the taste of tobacco without offensive smoke, explains Dan Softness, a spokesman for U.S. Tobacco.

Skoal Bandits is one of the fastest growing items at Apex, Kinney Drug, Begley and Peoples, according to buyers for all four chains.

"Skoal Bandits is a great item," says Peoples Drug's Louis Schechter, buyer for the category. The reason? "It

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Wine and liquor showing as big traffic draws

When it comes to beverage sales—soft drinks and in states where the law permits their sale, beer, wine and liquor—drug retailers tend to pay more attention to turns than they do to profit margins.

The reason, of course, is competition. Drug stores are one of many outlets for alcoholic and nonalcoholic beverages, and not always the first choice among consumers. Consequently, chains that do the biggest business are usually those with the sharpest pencils.

Drug chains use soft drinks in much the same way they merchandise other food items—primarily as a traffic draw. But a growing number of drug stores now feature planograms department, both on shelves and in coolers.

By selling soda on an everyday basis, a chain can make up some of the margin it loses when promoting items such as two-litre bottles. "If you're going to stick to promotional sections, you won't make any money," says Fred Van Laare, executive vp of Shoppers Drug Mart's Florida division.

Most chains recognize that with items such as beer, turns are frequently more important than profit margins.

Van Laare said that the chain began testing permanent soda sections in its Florida stores during the past year. The 16-ft to 20-ft. section includes an assortment of 1-litre bottles and 6-pack cans, which Van Laare said consumers are more inclined to purchase at regular prices.

Chains that have broadened their soft drink departments to include permanent sections can realize profit margins in the 20% range. While not spectacular compared to other drug store departments, the margins coupled with turns of 20 to 30 make the category "extremely viable," as one buyer for a western-based chain noted.

One problem drug retailers face with permanent soft drink departments is how to select from the growing number of flavors. With all the line extensions of the past few years, the soft drink category is beginning to resemble health and beauty aids.

At Reed Drugs in Atlanta, Ga., buyer Dick Foreback says that when the chain promotes soft drinks, it usually goes with the top four sellers of a major supplier, such as PepsiCo or

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Inside Merchandiser

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42 • Higher-priced bars changing candy mix

MERCHANDISER

Snuff, generics combat cigarette use decline

Cigarettes aimed directly at women have helped maintain a steady number of women smokers.

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draws new users," he explains.

Jim Fitzgerald, buyer for Governeur, N.Y.-based Kinney says he just took on Skoal Bandits. Like most, he's giving the item space near checkouts and near cigarettes. Merchandising this new product with cigarettes is important, says Softness, because it appeals to that market rather than to chewing tobacco users.

Skoal Bandits retails for about $1 for 20 pouches and carries about the same gross margin as cigarettes. U.S. Tobacco, manufacturer of Skoal Bandits, has boosted sales thanks to a $30 million promotional campaign featuring celebrities such as country music star Charlie Daniels and football lineman Joe Klecko. The manufacturer currently claims 88% of the domestic snuff market. Other manufacturers are not planning an immediate entry into the market.

Another segmentation of the cigarette market gathering steam in drug stores is generics. "We can't keep generics on the shelf," claims Kinney's Jim Fitzgerald. "We put them out last June and the results were astronomical."

Generic sales have been doubling in many chains and now account for about 3% of total volume. Production figures show that 17.5 billion generic cigarettes were produced last year, up from 5.9 billion in 1982.

Because generics sell for about 20¢ less than branded items, some buyers feel demand varies by area. Schechter at Peoples, for example, says generics do well in Peoples Indianapolis market because it is a "blue-collar" area.

But other chains report that once smokers try generics and like them, they continue to smoke them. Research from The Gary Tobacco Company, a manufacturer of generics, shows that 94% of those who tried a generic would repeat the purchase. Chains reporting great percentage gains in generics include Kerr, Rite Aid and Apex. Begley is just beginning a test of generics, according to Tipton.

On the other end of the spectrum, there appears to be a growing market for the "fancy" cigarettes like Players (which grabbed 1% market share in its first year), Satin, a product aimed at the female smoker market, and R. J. Reynolds' new brand, Sterling. Sterling will be launched in March. The product

Pipe tobacco consumption has dropped off. The latest production figures show a 2.1% drop in pounds manufactured.

is international length (94mm). Several drug chains expressed interest in the brand, saying that other "luxury" items had been strong movers.

"The pretty brands like Players and Benson and Hedges have been very strong," notes Schechter.

In addition to new products, many drug chains see the need to spur sales via their own tactics. Ribordy, for example, will begin to advertise more heavily, according to the chain's director of merchandising, Mark Paul.

Chains are also testing different fixtures, including self-service carton fixtures suitable for gondola ends or at checkouts. Most chains have also found that they must buy more "judiciously," says Schechter. He feels the chain now needs to carry about

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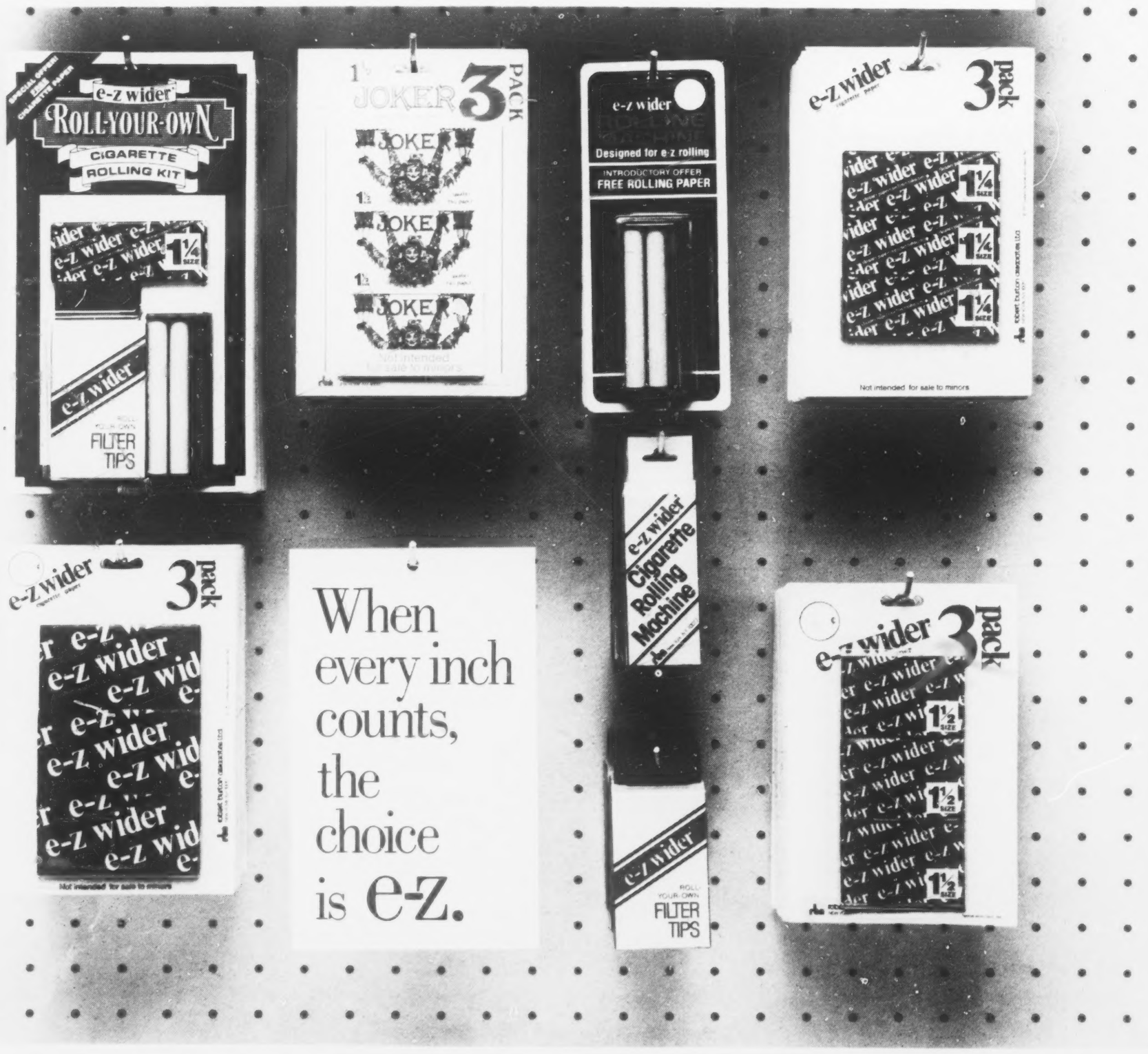
If you're hooked on profits, we've got you pegged!



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MERCHANDISER

Tobacco production; 1982 vs. 1983		
Tobacco product	**1983**	**1982**
Cigarettes		
Units (billions)	603.0	634.0
Packs (billions)	30.2	31.7
Large cigars (billions)	3.6	3.7
Small cigars (billions)	1.3	1.3
Pipe tobacco (million lb.)	32.8	33.6
Chewing tobacco (million lb.)	87.2	90.4
Snuff (million lb.)	46.1	43.8

Source: U.S. Department of Agriculture

Chain tobacco sales increase

Continued from page 33

Other developments in the industry gathering retailer interest include the smokeless cigarette, the 25-count pack and R. J. Reynolds' new ad campaign designed to persuade consumers that cigarette smoking isn't all that bad.

San-Antonio based Advance Tobacco Product has launched a smokeless cigarette named Favor. The smokers' nicotine need is satisfied by inhaling nicotine vapor. Although many retailers contacted were not familiar with the product, they were cautious about taking on any new item that may be just a fad.

The 25-count packs have received mixed reviews, mostly because the concept is still confusing to the customer. And finally, retailers are taking a "wait and see" attitude about Reynolds' new ad campaign.

142 brands, up from the 61 brands required eight years ago to satisfy most customers. And as consumption has slackened, buying has changed.

Market share by brand		
	% of market	
Company/brands	**1983**	**1982**
Phillip Morris	29.4	28.5
Marlboro	19.9	19.2
Benson & Hedges	5.0	4.8
Merit	4.5	4.5
R. J. Reynolds	28.7	30.8
Winston	12.2	13.2
Salem	8.3	8.8
Camel	4.5	4.9
Vantage	3.7	3.9
Brown & Williamson		
Kool	7.1	8.2
American Brands		
Pall Mall	4.1	4.3
Lorillard		
Kent	3.9	4.1

Source: Maxwell Report, Lehman Brothers Kuhn Loeb Research

Lighters heat up as merchandise tools

Merchandising disposable lighters at checkouts near cigarettes can increase the chances of multiple tobacco purchases, according to chain drug buyers.

In addition, a schedule of aggressive lighter promotions can help these inexpensive disposable products "sell like crazy," says a merchandise manager from a West Coast chain.

According to this buyer, the number of lighters moved daily and on ads is surprising. "We sell as many lighters as shampoo," he reports. The beauty of the business is that it brings in margins of 35% to 40% on an everyday basis and 10% to 15% on promotion.

The disposable lighter market in 1983 reached a total of

Merchandising lighters in high traffic locations insure overall higher gross margins.

475 million units, which translates into about $430 million at retail. Bic, a major manufacturer of disposable lighters, projects a 500 million unit market this year.

Buyers say Bic produces the fastest selling product and has done a good job with twin packs. Plus, buyers expect big things to come from 4-pack promotions the company is planning. Bic currently commands 54% of the market.

Jim Devine of Apex Drugs says that lighters are an important cross-merchandising tool. In addition to checkouts, Devine sells lighters in a 4-ft. section adjacent to his in-line tobacco department. His best sellers are Bic, Cricket, Zippo and Scripto.

Many more chains are also offering an alternative lighter, such as General Cigar Co.'s D'Jeep lighters. According to Matt Gordon, general manager, D'Jeep is an upscale lighter targeted at the market niche between the lower priced disposable and higher priced permanent lighters. D'Jeep retails for $1.49.

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Special report:

Best-selling OTC's

Charting the top 100 OTC products

Research for Drug Store News's *Top 100 Over-the-Counter Health Product study was organized and supervised by Assistant Pharmacy Editor Harold Cohen. The section was written by Cohen and Editor Elizabeth Parks.*

Because the over-the-counter product category is one of the key departments in today's retail pharmacy, accounting for about 15% of chain drug sales, *Drug Store News*, in this issue, launches its first OTC movement study.

The rankings are based on warehouse withdrawal data from a variety of major retail drug chains operating more than 2,000 stores in every region of the country.

To filter cut skewed results based on seasonal variations, such as the winter jump in cough/cold sales, the study includes data from a full year of product movement.

The heart of our study is the unit movement chart, which ranks products according to how quickly they sell through retail drug stores. Also included are charts that rank the same products within their own individual subcategories, such as analgesics and cough/cold.

Chap Stick, for instance, is the leader in overall movement, and, of course, is also the undisputed Tyrannosaurus rex within its own subcategory of topical creams.

The second most popular topical cream, Vicks Vaporub 1.5 oz., is a good 33 points behind Chap Stick, while the closest lip ointment, Blistex 0.14 oz., is a good 59 points behind.

Chap Stick, however, does not make it into our Top 10 or even Top 20 in dollar sales ranking, and that is primarily because it carries such a low ticket, a suggested retail of 95¢. Chap Stick is also low in dollar volume because it is a hotly promoted item particularly during the cold weather months.

In tracking drug store ads through the month of January, Assistant Pharmacy Editor Harold Cohen, R.Ph., found that Chap Stick was frequently advertised and often at incredibly hot prices, as much as 49% below its 61¢ average wholesale price (AWP).

For that reason, *Drug Store News* editors based their analysis of the survey data more on unit movement than on dollar movement. Because unit sales show the actual velocity of a product through the drug retail universe, we felt it was a better variable for making merchandising decisions.

Chain merchandisers and buyers know the importance of the top 100 OTC drug/proprietary items, products are routinely discounted because they represent added value to consumers who regularly purchase them.

The importance of the OTC health aids department is also reflected by the fact that it contributes about 15% of a chain drug store's overall sales volume, second to the prescription department.

Drug Store News compiled these product rankings by unit and dollar volume because drug store patrons are extremely sensitive to prices of frequently purchased products. And added merchandising opportunities are created when this merchandise is competitively priced.

10 fastest moving OTC products in unit sales

1. Chap Stick
2. Fleets Enema regular
3. Maalox Suspension 12 oz.
4. Nyquil 6 oz.
5. Mylanta Liquid 12 oz.
6. Bayer Aspirin 100's
7. Actifed tablets 24's
8. Visine Eye Drops-squeeze 0.5 oz.
9. Robitussin DM 4 oz.
10. Anacin tablets 100's

Source: *Drug Store News* survey

10 highest volume OTC products in dollar sales

1. Centrum vitamins 100's
2. Theragran M tablets
3. Nyquil 6 oz.
4. Tylenol Extra-Strength tablets 100's
5. Maalox Suspension 12 oz.
6. Anacin tablets 100's
7. Tylenol Extra-Strength tablets 60's
8. Metamucil powder 21 oz.
9. Tylenol Extra-Strength capsules 50's
10. Excedrin tablets 100's

Source: *Drug Store News* survey

Special report:

Best-selling OTC's

The *Drug Store News* top

Unit sales

1. Chap Stick
2. Fleets enema regular
3. Maalox suspension 12 oz.
4. Nyquil 6 oz.
5. Mylanta liquid 12 oz.
6. Bayer aspirin 100's
7. Actifed tablets 24's
8. Visine Eye Drops squeeze 0.5 oz.
9. Robitussin DM 4 oz.
10. Anacin tablets 100's
11. Tylenol Extra-Strength tablets 30's
12. Tylenol Extra-Strength tablets 60's
13. Contac capsules 10's
14. Afrin nasal spray 15ml
15. Bufferin tablets 100's
16. Tylenol chewable tablets 30's
17. Tylenol Extra-Strength capsules 50's
18. Tylenol Extra-Strength tablets 100's
19. Excedrin tablets 100's
20. Norwich aspirin 250's
21. Rolaids 3 pk.
22. Sudafed tablets 30mg 24's
23. Mylanta II liquid 12 oz.
24. Maalox Plus suspension 12 oz.
25. Centrum vitamins 100s
26. Pepto Bismol 8 oz.
27. Tylenol Drops 0.5 oz.
28. Dexatrim Extra-Strength 20's
29. Pepto Bismol 4 oz.
30. Tylenol Extra-Strength capsules 24's
31. Barnes Hind wetting solution 2 oz.
32. Bausch & Lomb saline solution 12 oz.
33. Correctol tablets 30's
34. Vicks Vaporub jar 1.5 oz.
35. Drixoral tablets 10's
36. Nyquil 10 oz.
37. Alka Seltzer foil 36's
38. Dristan tablets 24's
39. Neosporin ointment 0.5 oz.
40. Bayer aspirin children's 36's
41. Ascriptin tablets 100's
42. St. Joseph aspirin children 36's
43. Excedrin tablets 60's
44. Vicks Formula 44 D cough mixture 3 oz.
45. Drixoral tablets 20's
46. Vaseline Jelly 3.75 oz.
47. Metamucil Powder 14 oz.
48. Flexcare 12 oz.
49. Theragran M tablets

Dollar sales

1. Centrum vitamins 100's
2. Theragran M tablets
3. Nyquil 6 oz.
4. Tylenol Extra-Strength tablets 100's
5. Maalox Suspension 12 oz.
6. Anacin tablets 100's
7. Tylenol Extra-Strength tablets 60's
8. Metamucil powder 21 oz.
9. Tylenol Extra-Strength capsules 50's
10. Excedrin tablets 100's
11. Nyquil 10 oz.
12. Bufferin tablets 100's
13. Metamucil powder 14 oz.
14. Soflens Cleaner tablets 24's
15. Mylanta liquid 12 oz.
16. Mylanta II liquid 12 oz.
17. Drixoral tablets 20's
18. Contac capsules 10's
19. Afrin Nasal Spray 15ml
20. Nyquil 14 oz.
21. Robitussin DM 4 oz.
22. Bayer aspirin 100's
23. Dexatrim Extra-Strength 20's
24. Maalox Plus suspension 12 oz.
25. Tylenol Extra-Strength tablets 30's
26. Barnes Hind Wetting Solution 2 oz.
27. Maalox suspension 26 oz.
28. Bausch & Lomb Saline Solution 12 oz.
29. Tylenol Chewable tablets 30's
30. Dexatrim Extra-Strength capsules 40's
31. Tylenol drops 0.5 oz.
32. Chap Stick
33. Drixoral tablets 10's
34. Actifed tablets 24's
35. Tylenol elixir 2 oz.
36. Tylenol Extra-Strength capsules 100's
37. Ascriptin tablets 100's
38. Excedrin tablets 60's
39. Dristan tablets 24's
40. Tylenol tablets regular 100's
41. Correctol tablets 30's
42. Pepto Bismol 8 oz.
43. Visine Eye Drops squeeze .5 oz.
44. Neosporin Ointment 1 oz.
45. Tylenol Extra-Strength capsules 24's
46. Sudafed tablets 30mg 24's
47. Myadec tablets 130's
48. Norwich aspirin 250's
49. Robitussin DM 8 oz.

The highest volume analgesic products in dollar sales

Item	Rank in top 100
Tylenol Extra-Strength tablets 100's	4
Anacin tablets 100's	6
Tylenol Extra-Strength tablets 60's	7
Tylenol Extra-Strength capsules 50's	9
Excedrin tablets 100's	10
Bufferin tablets 100's	12
Bayer aspirin 100's	22
Tylenol Extra-Strength tablets 30's	25
Tylenol chewable tablets 30's	29
Tylenol drops ½ oz.	31
Tylenol elixir 2 oz.	35
Tylenol Extra-Strength capsules 100's	36
Ascriptin tablets 100's	37
Excedrin tablets 60's	38
Tylenol tablets regular 100's	40
Tylenol Extra-Strength capsules 24's	45
Norwich aspirin 250's	48
Norwich aspirin 500's	67
Ecotrin tablets 100's	68
Bayer aspirin 50's	96
Excedrin tablets 36's	97

Source: *Drug Store News* survey

The fastest moving analgesic products in unit sales

Item	Rank in top 100
Bayer aspirin 100's	6
Anacin tablets 100's	10
Tylenol Extra-Strength tablets 30's	11
Tylenol Extra-Strength tablets 60's	12
Bufferin tablets 100's	15
Tylenol Chewable tablets 30's	16
Tylenol Extra-Strength capsules 50's	17
Tylenol Extra-Strength tablets 100's	18
Excedrin tablets 100's	19
Norwich aspirin 250's	20
Tylenol drops ½ oz.	27
Tylenol Extra-Strength capsules 24's	30
Bayer aspirin children's 36's	40
Ascriptin tablets 100's	41
St. Joseph aspirin children's 36's	42
Excedrin tablets 60's	43
Tylenol elixir 2 oz.	50
Tylenol tablets regular 100's	65
Bayer aspirin 50's	66
Tylenol Extra-Strength capsules 100's	80

Source: *Drug Store News* survey

In organizing our over-the-counter health product survey, we deliberately restricted the study to *only* those products having a remedial application: analgesics which relieve pain or fever, for example, or vitamins to relieve stress.

We excluded such borderline products as razor blades, skin creams or shampoos that we decided were better classified as health and beauty aid products.

After we had computerized our sample and ranked each product in descending order of volume, we found that 24% of all the unit sales volume was generated by cough/cold products and an equal percentage by analgesics. Another 19% went to antacids, while 10% went to topical creams and eye/lens care products. Laxatives captured 5% of the total top 100 unit volume while appetite suppressants, vitamins and antihemorrhoid products each captured 2%. An antinausea aid and a feminine hygiene product each captured 1%.

However, despite the fact that analgesics, cough and cold and antacids dominated the top 100 unit volume, the top 10 consisted of a more representative distribution: a topical cream dominated the lead slot, while a laxative took the No. 2 position. Antacid products were in third and fifth place, while cough/cold products were in fourth, seventh and ninth place and analgesics were in sixth and 10th.

Focus on analgesics

In the analgesics category, 10 of the top 24 products that made the top 100 list were Tylenol products, showing the dominant position that the brand was able to recover and maintain following the Chicago tragedy of 1982.

However, our findings also show that

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100 stars of the OTC dept.

Unit sales

50. Tylenol Elixir 2 oz.
51. Preparation H ointment 1 oz.
52. Maalox Plus tablets 12's
53. Preparation H suppositories 12's
54. Soflens cleaner tablets 24's
55. Bausch & Lomb Saline Solution 8 oz.
56. Tums 3 pk.
57. Neosporin ointment 1 oz.
58. Metamucil powder 21 oz.
59. Tums 150's
60. Blistex ointment 14 oz.
61. Tinactin cream 15gm
62. Robitussin 4 oz.
63. Gaviscon tablets 100's
64. Maalox Suspension 26 oz.
65. Tylenol tablets regular 100's
66. Bayer Aspirin 50's
67. Nyquil 14 oz.
68. Massengil Disposable Douche Water/Vinegar 6 oz.
69. Robitussin DM 8 oz.
70. Riopan Plus liquid 12 oz.
71. Ex-Lax chocolate 18's
72. Alka Seltzer Plus tablets 20's
73. Dexatrim Extra-Strength capsules 40's
74. Sudafed Plus tablets 24's
75. Contac capsules 20's
76. Bausch & Lomb Daily Cleaner 1.5 oz.
77. Cortaid cream 0.5% 15gm
78. Allergan Cleaning/ Disinfecting Solution
79. Robitussin CF 4 oz.
80. Tylenol Extra-Strength capsules 100's
81. Dramamine tablets 12's
82. Blistik
83. Boil N Soak 12 oz.
84. Sudafed tablets 30mg 48's
85. Norwich aspirin 500's
86. Comtrex 24's
87. Sudafed tablets 30mg 100's
88. Alka Seltzer Plus 36's
89. Alka Seltzer tablets 25's
90. Mylanta tablets 100's
91. Anacin tablets 30's
92. Ecotrin tablets 100's
93. Rolaids 150's
94. Soaclens 4 oz.
95. Vicks Inhaler
96. Sucrets lozenges
97. Excedrin tablets 36's
98. Vaseline Jelly 1.75 oz.
99. Vicks Formula 44 3 oz.
100. Benylin Cough Syrup 4 oz.

Source: *Drug Store News* survey

Dollar sales

50. Contac capsules 20's
51. Tinactin cream 15gm
52. Preparation H suppositories 12's
53. Neosporin ointment 0.5 oz.
54. Vicks Formula 44-D cough mixture 3 oz.
55. Alka Seltzer foil 36's
56. Sudafed tablets 30mg 48's
57. Flexcare 12 oz.
58. Tums 150's
59. Sudafed tablets 30mg 100's
60. Gaviscon tablets 100's
61. Allergan Cleaning/ Disinfecting Solution 8 oz.
62. Preparation H ointment 1 oz.
63. Fleets Enema regular
64. Bausch & Lomb Saline Soiution 8 oz.
65. Vicks Vaporub jar 1.5 oz.
66. Bausch & Lomb Daily Cleaner 1.5 oz.
67. Norwich aspirin 500's
68. Ecotrin tablets 100's
69. Pepto Bismol 4 oz.
70. Riopan Plus liquid 12 oz.
71. Vaseline Jelly 3.75 oz.
72. Sudafed Plus tablets 24's
73. Boil N Soak 12 oz.
74. Soaclens 4 oz.
75. Cortaid cream 5% 15gm
76. Robitussin CF 4 oz.
77. Comtrex 24's
78. Alka Seltzer Plus tablets 20's
79. Mylanta tablets 100's
80. Rolaids 3 pk.
81. Rolaids 150's
82. Robitussin 4 oz.
83. Massengill Disposable Douche Water/Vinegar 6 oz.
84. Pepto Bismol 16 oz.
85. Unisol Saline Solution 25's
86. Dramamine tablets 12's
87. Triaminic Expectorant 4 oz.
88. Z-Bec tablets 60's
89. Preflex 45ml
90. Chlortrimeton tablets 12mg 24's
91. Dexatrim Caffeine Free 20's
92. Oscal tablets 100's
93. Ex-Lax chocolate 18's
94. Alka Seltzer Plus 36's
95. Triaminic syrup 4 oz.
96. Bayer aspirin 50's
97. Excedrin tablets 36's
98. Alka Seltzer tablets 25's
99. Ex-Lax unflavored pills 30's
100. Peri Colace capsules 60's

Source: *Drug Store News* survey

Focus on cough/cold

Cough/cold products grabbed three spots among the top 10-in. unit sales: Two were cough preparations: Nyquil 6 oz. and Robitussin DM 4 oz.

The breakdown of sales in the cough/cold category seems to suggest that manufacturers, in their marketing campaigns, have succeeded in convincing customers to buy several variations of what is essentially the same product.

Shoppers seem to be buying a night-relief cough product like Nyquil to combat symptoms while they sleep, then turning right around and buying a regular cough product like Robitussin or Vicks to fight those same symptoms in the daylight hours.

Nyquil, in fact, made our top-100 list with all three sizes: 6, 10 and 14 oz. while Robitussin had four sizes in the ranking.

Only two nasal sprays, however, made the list, with Afrin 15ml in 14th place way out in front of Vicks inhaler in the 95 spot.

Retailers might want to consider reworking some planograms so that related cough/cold remedial products like nasal sprays and lozenges are located closer to the higher-turning products like cough medicines and cold capsules and tablets. Such a remerchandising could generate higher-volume impulse sales of the related products.

Focus on antacids

In the antacid category, liquid dosages outsold the tablet forms by a remarkable margin. Thirteen, or 68%, of the 19 antacids which made our list were aspirin-based products have certainly not been pushed off their throne. One such product—Bayer aspirin 100's—captured the No. 1 spot among the analgesics. That same product ranked sixth among all OTC products, five places ahead of the No. 1 nonaspirin analgesic, Tylenol Extra-Strength tabs 30's.

Children's analgesics also did very well in our rankings. Out of the 24 analgesics which made it onto our list, five, or 21%, were targeted to the children's market.

There is also a medical logic to the analgesics dominance in the ranking. These are, after all, maintenance products which people use frequently. They are not seasonal products subject to sales slumps at different times of the year. And they are a high-demand product among the growing population of older drug store consumers.

The fastest moving cough/cold products in unit sales

Item	Rank in top 100
Nyquil 6 oz.	4
Actifed tablets 24's	7
Robitussin DM 4 oz.	9
Contac capsules 10's	13
Afrin nasal spray 15ml	14
Sudafed tablets 30mg 24's	22
Drixoral tablets 10's	35
Nyquil 10 oz.	36
Dristan tablets 24's	38
Vicks Formula 44-D cough mixture 3 oz.	44
Drixoral tablets 20's	45
Robitussin 4 oz.	62
Nyquil 14 oz.	67
Robitussin DM 8 oz.	69
Sudafed Plus tablets 24's	74
Contac capsules 20's	75
Robitussin CF 4 oz.	79
Sudafed tablets 30mg 48's	84
Comtrex 24's	86
Sudafed tablets 30mg 100's	87
Vicks inhaler	95
Sucrets lozenges	96
Vicks Formula 44 3 oz.	99
Benylin cough syrup 4 oz.	100

Source: *Drug Store News* survey

The highest volume cough/cold products in Dollar Sales

Item	Rank in top 100
Nyquil 6 oz.	3
Nyquil 10 oz.	11
Drixoral tablets 30's	17
Contac capsules 10's	18
Afrin nasal spray 15ml	19
Nyquil 14 oz.	20
Robitussin DM 4 oz.	21
Drixoral tablets 10's	33
Actifed tablets 24's	34
Dristan Tablets 24's	39
Sudafed Tablets 30mg 24's	46
Robitussin DM 8 oz.	49
Contac Capsules 20's	50
Vicks Formula 44-D Cough Mixture 3 oz.	54
Sudafed Tablets 30mg 48's	56
Sudafed Tablets 30mg 100's	59
Sudafed Plus Tablets 24's	72
Robitussin CF 4 oz.	76
Comtrex 24's	77
Robitussin 4 oz.	82
Triaminic Expectorant 4 oz.	87
Chlortrimeton Tablets 12mg 24's	90
Triaminic Syrup 4 oz.	95

Source: *Drug Store News* survey

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The fastest moving antacid products in unit sales

Item	Rank in top 100
Maalox suspension 12 oz.	3
Mylanta liquid 12 oz.	5
Rolaids 3 pk.	21
Mylanta II liquid 12 oz.	23
Maalox Plus suspension 12 oz.	24
Pepto Bismol 8 oz.	26
Pepto Bismol 4 oz.	29
Alka Seltzer foil 36's	37
Maalox Plus tablets 12's	52
Tums 3 pk.	56
Tums 150's	59
Gaviscon tablets 100's	63
Maalox suspension 26 oz.	64
Riopan Plus liquid 12 oz.	70
Alka Seltzer Plus tablets 20's	72
Alka Seltzer Plus 36's	88
Alka Seltzer tablets 25's	89
Rolaids 150's	93

Source: *Drug Store News* survey

The highest volume antacid products in dollar sales

Item	Rank in top 100
Maalox suspension 12 oz.	5
Mylanta liquid 12 oz.	15
Mylanta II liquid 12 oz.	16
Maalox Plus suspension 12 oz.	24
Maalox suspension 26 oz.	27
Pepto Bismol 8 oz.	42
Alka Seltzer foil 36's	55
Tums 150's	58
Gaviscon tablets 100's	60
Pepto Bismol 4 oz.	69
Riopan Plus liquid 12 oz.	70
Alka Seltzer Plus tablets 20's	78
Mylanta tablets 100's	79
Rolaids 3 pk.	80
Rolaids 150's	81
Pepto Bismol 16 oz.	84
Alka Seltzer Plus 36's	94
Alka Seltzer tablets 25's	98

Source: *Drug Store News* survey

liquid forms. The higher turns could be attributed to the fact that many consumers still believe that liquid antacids work best because they don't need extra time to dissolve in the stomach.

Rolaids, 21st on the unit list and third in its category, achieved its high ranking because of convenience and strong advertising support from Warner-Lambert.

Topical creams, eye/lens care and laxatives

Topical creams and eye/lens care products gained 10 spots each in our top 100 listing and one each in our top 10. Laxatives had five in the top 100 and one in the top 10.

In the topical cream category, Chap Stick was 33 places ahead of its closest category competitor, Vicks Vaporub and 59 and 81 points ahead, respectively, of the two other lip ointments on the chart, Blistex 14 oz. and Blistik. The catchy advertising campaigns sponsored by Chap Stick seems to deserve some of the credit for this performance.

Advertising may also be why Neosporin broke into our top 100 unit listing with not just one but two sizes, in spite of the crowded field for antibiotic ointments.

In the eye/lens care category, only 1 of the 10 products that made it was an eye treatment product: Visine drops 5 oz. The others were all cleaning and disinfecting solutions geared to contact lens care.

Of the five laxative products that made it, Fleets disposable enemas scored the highest with a No. 2 overall ranking in unit sales. Part of the success has to be attributed to doctors' recommendations.

Correctol, which achieved a 33 ranking is heavily advertised, as is Metamucil, which achieved rankings of 47 and 48 for the 14-oz. and 21-oz. sizes, respectively.

Metamucil is also a popular choice of seniors who seem to view it as more natural and gentle.

Vitamins, antihemorrhoids, antinausea, feminine hygiene and appetite suppressants

Both of the vitamin products that made our listing were multiple, high-potency formulations, suggesting that consumers are still more inclined to shop for umbrella vitamins—those that can attend to a variety of nutritional needs at once rather than those that address specific needs such as coping with stress or supplementing iron in the bloodstream.

In the appetite-suppressant category, Dexatrim's popularity, possibly generated by its advertising, made it the only contender, even though the field is crowded with many players, all basically identical in their product ingredients.

Preparation H dominated the antihemorrhoid category, while Massengil did the same in feminine hygiene and Dramamine in antinausea. Advertising and promotions again appeared to play a key role in the success of these products.

The fastest moving eye and lens care products in unit sales

Item	Rank in top 100
Visine Eye Drops-Squeeze 0.5 oz.	8
Barnes Hind Wetting Solution 2 oz.	31
Bausch & Lomb Saline Solution 12 oz.	32
Flexcare 12 oz.	48
Soflens Cleaner Tablets 24's	54
Bausch & Lomb Saline Solution 8 oz.	55
Bausch & Lomb Daily Cleaner 1.5 oz.	76
Allergen Cleaning/ Disinfecting Solution	78
Boil N Soak 12 oz.	83
Soaclens 4 oz.	94

Source: *Drug Store News* survey

McNeil earns top spot among manufacturers

An outstanding marketing effort has earned McNeil Consumer Products Co., manufacturer of Tylenol, the top position among the 37 companies represented in *Drug Store News'* survey of the 100 fastest-moving OTC products.

Tylenol, in its various sizes and dosage forms, claimed 10 places on the top 100 list, followed by Vicks and Burroughs Wellcome Co., each with seven positions.

While it is evident that Tylenol is well represented in the consumer's medicine cabinet, no particular Tylenol item appears among the top 10 fast movers. However, five items do make their appearance in the top 20. Tylenol also accounts for 10 of the 24 analgesic products that placed among the Top 100, far above any other manufacturer.

The capsule dosage form, involved in the 1982 Chicago tragedy, is once again well represented in the product line, with three sizes making the top 100 list based on unit volume.

In the cough and cold category, Vicks tops the list, standing above eight other companies, with six products placing in the top 100. Boosting Vicks to the No. 1 cough and cold position is the popular nighttime cold medication Nyquil. All three available sizes of the medicine appear on the top 100 list. Burroughs Wellcome Co., maker of Sudafed, a decongestant without antihistamine that's advertised as a drug that does not induce drowsiness, grabbed 4 of the top 24 cough and cold positions.

Aside from Visine, all brands in the eye and lens care category are products marketed for the contact lens user. In this area, Bausch & Lomb clearly leads the market with 4 of the 10 products on the top 100 list.

B&L's closest competitors, Alcon bp and Allergan, captured third and second positions, respectively.

Searle Consumer Products, manufacturer of Metamucil, a bulk-forming laxative, sells twice as many units as any other laxative and controls 2 of the 5 spots in the laxative category.

The antacid category is divided into two subcategories, one targeted to the consumer with ulcer symptoms and the other directed at the upset stomach/acid indigestion sufferer.

The battle for the No. 1 spot in the category is between the top two products sold to the ulcer patient market, Maalox and Mylanta. Maalox, manufactured by William H. Rorer Inc., edged

The highest volume eye and lens care products in dollar sales

Item	Rank in top 100
Soflens Cleaner tablets 24's	14
Barnes Hind Wetting Solution 2 oz.	26
Bausch & Lomb Saline Solution 12 oz.	28
Visine Eye Drops-Squeeze 0.5 oz.	43
Flexcare 12 oz.	57
Allergan Cleaning/ Disinfecting Solution	61
Bausch & Lomb Saline Solution 8 oz.	64
Bausch & Lomb Daily Cleaner 1.5 oz.	66
Boil N Soak 12 oz.	73
Soaclens 4 oz.	74
Unisol Saline Solution 25's	85
Preflex 45ml	89

Source: *Drug Store News* survey

The highest volume appetite suppressant products in dollar sales

Item	Rank in top 100
Dexatrim Extra-Strength 20's	23
Dexatrim Extra-Strength capsules 40's	30
Dexatrim Caffeine Free 20's	91

Source: *Drug Store News* survey

The fastest moving appetite suppresant product in unit sales

Item	Rank in top 100
Dexatrim Extra-Strength 20's	28
Dexatrim Extra-Strength capsules 40's	73

Source: *Drug Store News* survey

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out Stuart Pharmaceutical's Mylanta for the top spot.

According to the survey, Miles Labs Inc. is the manufacturer of the top seller in the upset stomach acid indigestion subcategory. Alka Seltzer grabbed 4 places among the 19 antacids represented on the top 100 list.

No single company had more than one entry in the top 10 OTC product list.

OTC conversions among best-sellers

Prescription products that have been converted to over-the-counter status are having a tremendous impact on the total OTC market, with the greatest concentration found in the cough and cold category.

Manufacturers are cashing in on OTC conversions by grabbing a sizable portion of the total OTC market. For example, within the cough and cold category, four of the 23 cough cold products in the top 100 (dollar volume) and five of the 24 products (unit volume) are on the best-seller list.

The only other category that registered products with prescription to OTC conversion was topicals with two of 10 leading products in the category being those that were switched.

Schering was the first manufacturer to successfully convert selected prescription products to over-the-counter status. Afrin nasal spray 15ml and two sizes of Drixoral tablets represent prin examples of the firm's entries in the cough and cold category. And Tinactin represents a successful prescription product that moved to the OTC topical category.

Products of Schering's conversion account for four of the brands appearing in the top 100 list of OTC products and they account for over half of all the conversion products which made the list.

Three other pharmaceutical firms each had one conversion that made it onto the top 100 OTC list. Burroughs Wellcome was the only company that saw its conversion product, Actifed tablets 24's, in the top 10, with ranking in seventh position. Parke Davis' successful prescription cough formula, Benylin, had been taken off OTC status for a short while but then was reinstated. The brand just made the cutoff by capturing the 100th position.

Another of the more successful conversions was hydrocortisone cream 0.5%. While there are many companies that market a hydrocortisone cream over the counter, only Upjohn's Cortaid cream 0.5%, available in 15gm containers, made the fastest-moving OTC list by placing in position 77.

Competitive pricing on select top analgesics

Product	Unit sales ranking	AWP	SRP	Avg. promo price	Most competitive promo price
Bayer aspirin 100's	6	$2.19	$2.93	$1.67	$1.44
Anacin tabs 100's	10	3.47	5.21	2.99	2.69
Tylenol Extra-Strength tabs 30's	11	2.17	3.26	2.29	1.67
Tylenol Extra-Strength tabs 60's	12	3.71	5.57	2.69	2.19
Bufferin tabs 100's	15	3.40	4.90	*	*

*Information not available

Source: *Drug Store News* survey and *Medi-Span's OTC Pricing Guide*

Upjohn was the first company to market over-the-counter hydrocortisone products, and Cortaid immediately became a best seller within the category. Despite competition by other brands, Cortaid still maintains its leadership position in the category.

Promos and discounts make items winners

For the month of January, most of the products that made Top 100 lists for unit sales and dollar sales were promoted heavily, many at retails substantially below the average wholesale price.

In reviewing the ads clipped daily from newspapers throughout the nation, Assistant Pharmacy Editor Harold Cohen found that Chap Stick, the No. 1 unit volume product, was advertised by at least five chains at retails ranging from 33¢ or 3/99¢ to 50¢ or 2/$1.

According to Medi-Span's OTC pricing guide, Chap Stick's average wholesale price is 61¢, while its suggested retail price is 95¢.

It's clear that in January many retailers chose to exploit Chap Stick's traffic-building potential by giving it away. Ads for the two comparable products that made our Top 100 unit listing, Blistex ointment 14 oz. and Blistik, were much rarer.

Blistex and Blistik, which did not make our dollar ranking list, turned out to carry average retails of $1.19 and 99¢, respectively.

Chap Stick, when it was not on sale, carried an average retail price of approximately 95¢.

However, although advertising and promotions certainly helped to propel products into our Top 100 rankings, they were not always the decisive factor. Sometimes a product seemed to make it purely as the result of doctors' recommendations or word of mouth.

Fleets regular enema, which took the No. 2 spot on our unit rankings, seems to be such a product. As far as *Drug Store News* could determine, there was never any strong ad activity for Fleets during the year in which we tracked sales. The product generally sold for an average $1.07 and still made our rankings.

The price, it should be noted, is right in line with Medi-Span's listing of the manufacturer's suggested retail price, and at that price, Fleets may be the most productive product on our chart.

Our data was not complete enough to let us know every respondent's actual acquisition cost, but according to Medi-Span, the average wholesale price on Fleets' is 71¢.

Obviously, any product that can achieve such high turns at a minimum 34% margin can be very profitable.

In fact, the laxative category as a whole carries the potential for extreme profitability. It was one of the least promoted categories in our survey, yet it nudged five products into the Top 100 in unit rankings and seven into the Top 100 in dollar rankings.

On the other hand, our dominant categories—analgesics, antacids and cough/cold—were hotly promoted almost every week, and antacids and analgesics, of course, are virtually without any seasonality.

In the analgesic category, our unit leaders—Bayer aspirin 100's, Anacin tablets 100's and Tylenol Extra-Strength tabs 30's—were all hotly promoted. In January, the lowest sale price on Bayer was $1.44, while the average sale price was about $1.67. According to Medi-Span, the AWP on Bayer is $2.19 while the suggested retail price is $2.93.

For Anacin tabs 100's, the average ad price in January was $2.99. Medi-Span lists its AWP as $3.47 and its suggested retail price at $5.21. Several chains in our survey, it should be mentioned, chose to sell Anacin everyday at prices 15% to 25% off the suggested retail price. That may explain why Anacin was No. 2 in both unit sales and dollar sales in the analgesic category.

Discounting and heavy promotions probably also explain why Tylenol managed to make both our listings with ten separate products. Many retailers also discounted the Tylenol products everyday by between 10% and 20% while their ad prices sometimes featured the products by as much as 30% to 50% off the suggested retail price. Several retailers, for instance, advertised Tylenol Extra-Strength capsules 100's as low as $4.47 and $4.99, while the suggested retail is about $9.39. The AWP on Tylenol Extra-Strength capsules 100's is $6.24.

In the antacid category, the story was similar. The two category leaders—Maalox suspension 12 oz. and Mylanta liquid 12 oz.—were frequently advertised for about $2.00. According to Medi-Span, Maalox suspension is generally available from wholesalers at $2.98, while its suggested retail is $4.47. Mylanta liquid in the 12-oz. size is generally available at $2.51 and carries a suggested retail of $3.76. Everyday prices for these two products were again discounted from 7% to 15%.

Private labels offer low price, high margin

Repeat sales and higher profit margins are two reasons drug stores are turning to packaging the best-selling OTC products under their private label.

Retailers are able to sell top-ranking OTC private label products at a considerable savings to the consumer and still cash in on high gross profit margins. And, since those products carry labels with the store name or a brand name associated exclusively with that store, they encourage repeat visits by customers loyal to the products.

Some of the top private label products, such as epsom salts and hydrogen peroxide, which are generally not promoted by brand name, had the majority of their sales fall into our private label category. According to *DrSN*'s survey, sales of epsom salt and hydrogen peroxide account for one-third of the total top 10 private label products.

While Bayer Aspirin 100's was the only aspirin product to enjoy a position in the top 10 brand name products, three sizes of private label aspirin, 100's, 250's, and 300's, appeared in the top 10 private label product list, cutting into potential Bayer sales.

10 fastest moving private label products in unit sales

1. Epsom salt
2. Aspirin tablets 100's
3. Lip balm
4. Aspirin tablets 250's
5. Hydrogen peroxide 16 oz.
6. Sinus headache tablets 50's
7. Nighttime cold medicine 60's
8. No-aspirin extra-strength capsules 50's
9. Aspirin tablets 300's
10. Hydrogen peroxide 8 oz.

Source: *Drug Store News* survey

In addition, a nonaspirin extra-strength capsule appears in our list of top 10 private label products, while Tylenol failed to make the corresponding listing for brand name products.

During 1982, when Tylenol capsules suffered severe sales losses from a total recall, nonaspirin users frantically searched the market for a substitute. Many manufacturers of private label companies were quick to jump on the bandwagon and flood stores with store brand nonaspirin extra-strength substitutes. That product has maintained its position, and our study shows it is the eighth best seller among private label products.

In addition to aspirin tablets, two other products hold positions on both the brand name top 10 list and the private label top 10 list.

Nyquil 6 oz., Vicks' most popular size of that product, holds the fourth position on the brand name list. A private label version has the seventh position on our private label top 10 list.

The fastest moving topical creams in unit sales

Item	Rank in top 100
Chap Stick	1
Vicks Vaporub Jar 1.5 oz.	34
Neosporin Ointment ½ oz.	39
Vaseline Jelly 3¾ oz.	46
Neosporin Ointment 1 oz.	57
Blistex Oint. 14 oz.	60
Tinactin Cream 15gm	61
Cortaid Cream 0.5% 15gm	77
Blistik	82
Vaseline Jelly 1¾ oz.	98

Source: *Drug Store News* survey

The highest volume topical cream products in dollar sales

Item	Rank in top 100
Chap Stick	32
Neosporin ointment 1 oz.	44
Tinactin cream 15gm	51
Neosporin ointment ½ oz.	53
Vicks Vaporub jar 1.5 oz.	65
Vaseline jelly 3¾ oz.	71
Cortaid cream 0.5% 15gm	75

Source: *Drug Store News* survey

PHARMACY

Lawmakers near pact on drug patents—p. 11

MERCHANDISER

Buyers see 16% housewares growth–p. 21

DRUG STORE NEWS

Vol. 6 No. 7 | Serving the Retail Drug Store Industry for 55 years | Published by Lebhar-Friedman Inc. | April 2, 1984

SupeRx's new replenishment system could mean the chain will be able to maintain an above average in-stock position while simultaneously reducing inventory at the store level. Savings could total an estimated $12 million a year.

SupeRx's new reordering plan to save $12M

By Elizabeth Parks

CINCINNATI—SupeRx Drugs, the nation's 11th largest drug chain, has just adopted a new replenishment system, designed to save an estimated $12 million a year.

This system, which took effect early last month, basically consolidates all replenishment buying for both SupeRx and its parent, Kroger Food Stores, under one roof: Kroger Peyton Group, a wholly owned subsidiary headquartered in Louisville, Ky.

Ross Feldkamp, formerly director of purchasing at SupeRx, has been placed in charge of the division in the newly created position of director of general merchandise procurement for Kroger/SupeRx.

Under him will be eight replenishment buyers responsible for reorder purchases in the following categories: electronics/toys, hosiery/stationery, housewares, hardware, soft goods, cosmetics, pharmacy/OTC products and toiletries.

Feldkamp himself will report to Dan Elliott, vp Peyton Inc., who in turn reports to Merl Blair, president of the three-year-old Peyton Group.

According to Bob Griffith, vp of human resources for SupeRx, the consolidation of replenishment buying for the sister chains will within a year save an estimated $20,000 per year per store.

That translates into a potential $12 million in bottom line savings for the 567-unit SupeRx, plus another estimated $22 million for the approximately 1,100 Kroger stores that will be affected. (The Dillon stores, which were acquired in early 1983, are not affected at this point.)

For the near term, SupeRx and Parent Kroger will retain

Continued on page 46

Eckerd adopts 100% central buying

CLEARWATER, Fla.—Eckerd Drug, determined to improve its merchandise position and to keep "hot" new products moving into its stores at a sharp clip, is formally centralizing its buying operations.

After several months of experimenting with centralized buying, management has decided to fully consolidate all of its merchandising operations in its Clearwater corporate headquarters office.

The move will streamline Eckerd's buying staff, removing levels of duplications, plus it will allow Eckerd to acquire more products at sharper prices.

It may also help Eckerd maintain its recent hard-won victory over out-of-stocks because it will give the buyers the authority to "feed" a certain amount of new and promotional products into individual stores.

Under the old system, the buying staff could "recommend" that the division and store managers order a set quantity of product, but they had no power to insure that those orders did come in.

Consequently, Eckerd found itself frequently saddled by two problems: There was either not enough product ordered to insure the sharpest possible acquisition cost—leading to "tight margins"—or there was too much product bought but not ordered out of the warehouse—leading to out-of-stocks.

"Their problem in the past," says one security analyst, "was that they had the product but they didn't necessarily have it in the store. They might have bought it, but because the stores and the divisions had so much autonomy, the product never got ordered into the stores."

The new centralized program, analysts and industry observers agree, will now give Harry Lambert, the president of Eckerd Drug, "a good deal more control over his operations."

Lambert himself calls the new program "consistent with our announced back-to-basics approach to merchandising."

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Perry buys $2M lab service biz

TROY, Mich.—Perry Drug Stores added another dimension to its diversification strategy with the planned purchase of Bioanalytical Procedures Inc., a Michigan-based clinical laboratory producing about $2 million in annual sales.

Perry chairman and ceo Jack A. Robinson announced the deal during the chain's annual shareholder's meeting here.

"This acquisition is a natural extension of the role we foresee for Perry in helping to meet the ever-increasing demands for high-quality health care services in this country," Robinson said.

The 10-year-old Bioanalytical Procedures provides a wide range of laboratory services to hospitals, physicians and nursing homes. Tests offered include tissue analysis, EKG's, blood and urine tests and other procedures.

According to Robinson, the acquisition will help Perry tap into a market "estimated at $16 billion to $20 billion annually in this country." Robert Shapiro, vp health services, noted, however, that the newly acquired

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Deep discounter Drug Emporium to double its store count in '84

By Faye Brookman

COLUMBUS, Ohio—Drug Emporium, the deep discount franchise drug chain, has vigorous growth plans calling for the number of units to double by year end.

Since Phil Wilber first began franchising his successful concept in 1978, Drug Emporium has grown to 34 stores. Seven of those are brand new, opened since the beginning of the year. That's rapid growth even for a conventional chain, but it has caused some problems.

There are now Drug Emporiums in states stretching from California to Florida, making the company the nation's firt network of deep discount units.

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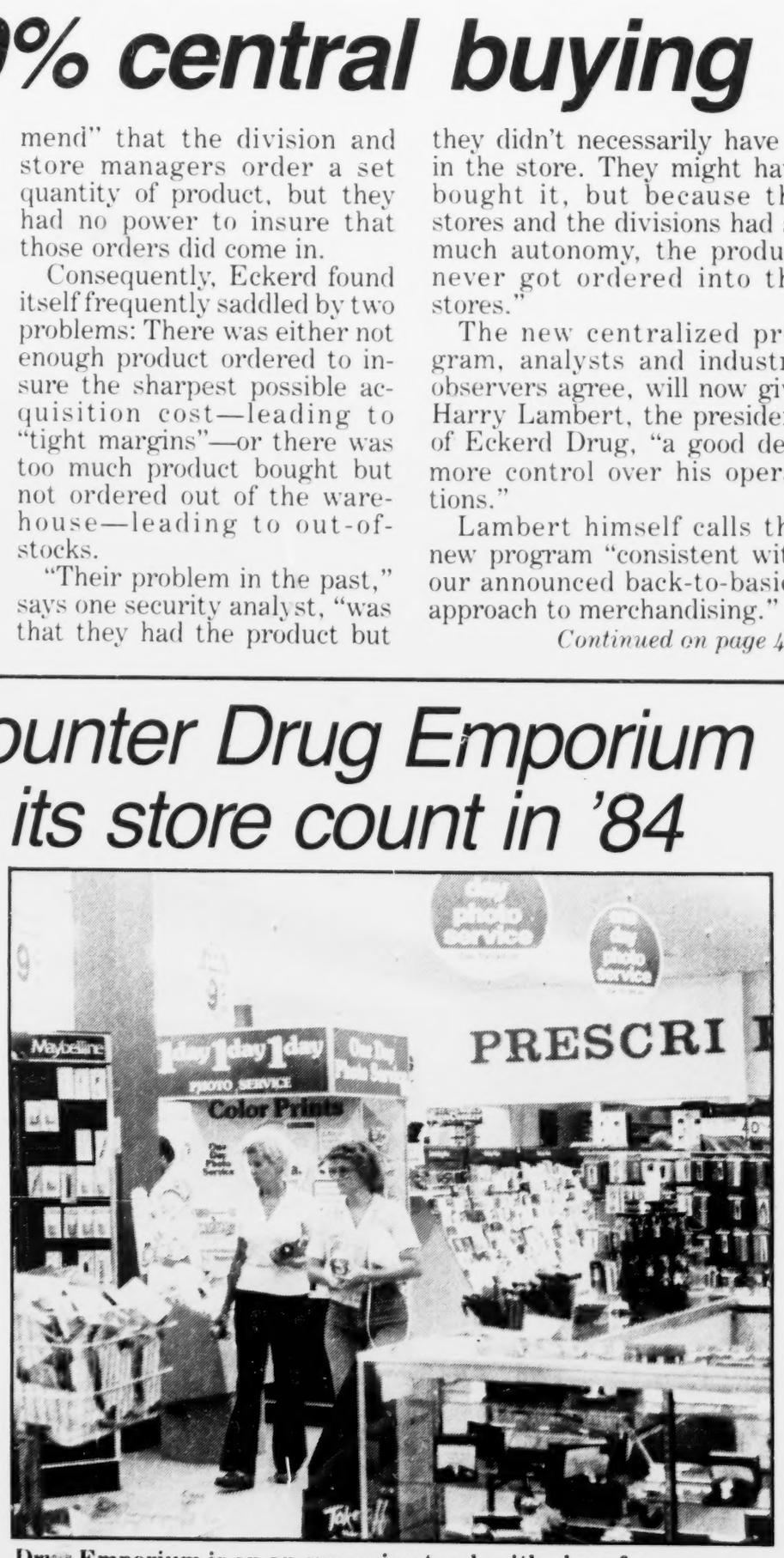

Drug Emporium is on an expansion track with plans for as many as 54 units by year's end.

Late News

OSCO DRUG had "another fine year," according to W. R. Christopherson, chairman of Osco parent Jewel Cos., but the results of Sav-On Drug, Jewel's other drug store division, were "disappointing." For the year ended Jan. 28, Osco's operating profits were up 19.6% as sales rose 14.3%. Save-On's sales increased 6.7%, but pretax earnings were down by a third, the result of depressed gross margins, startup expenses for the new California food/drug combos and costs involved in new merchandising and distribution systems. Overall, Jewel's earnings for the year were off 5.7%, the result in substantially reduced earnings from its equity investment in Aurrera, S.A. de C.V. (Mexico).

FAY'S DRUG CO. reported that net earnings for the year ended Jan. 31 rose 48% to $8.1 million from $5.5 million in the prior year. Sales increased 15.6% to $312.4 million from $270.3 million. For the fourth quarter, earnings increased to $3.8 million, 50.8% higher than the $2.5 million posted in the previous year's comparable period. Sales for the quarter were $92.1 million compared to $79.9 million.

Seen as industry victory

Key legislator reverses stand on Rx crime bill

WASHINGTON—In a move that significantly improves prospects for tough new pharmacy crime legislation this year, House Crime Subcommittee Chairman William Hughes (D-N.J.) reversed course abruptly and introduced his own measure to treat the theft of controlled substances as a Federal offense.

Hughes, considered by drug store industry lobbyists to be the chief Congressional roadblock to enactment of such legislation, had been expected to join with House Judiciary Committee Chairman Peter Rodino (D-N.J.) in attempting to sideline this year's pharmacy crime measure.

His sudden conversion represents a major legislative victory for chain, and wholesale drug lobby groups which have been pressing hard for Congressional action on such a bill.

The primary remaining obstacle to passage of the pharmacy crime legislation this year: Lingering concerns among independent druggists who raised objections to several provisions in the Hughes measure hours before the bill was scheduled for final subcommittee markup late last month.

In contrast to the strategy adopted by the National Association of Retail Druggists' lobbyists, representatives of the chain drug industry are actively pushing for passage of the new House proposal.

"With Chairman Hughes supporting this legislation, we are considerably closer to our goal," National Association of Chain Drug Stores vice president Ty Kelley said.

Ironically, only last month Congressional backers of the Pharmacy crime bill were attempting to steer that measure away from Hughes' subcommittee to a different House panel regarded as more sympathetic to the concerns of pharmacists, drug chains and wholesalers.

At presstime, Hughes had scheduled early "markup" sessions on the legislation, and a final version of the bill could come up for a vote on the House floor as early as this month.

Before that can happen, however, the legislation must first clear Rodino's full committee, and industry supporters of the bill acknowledge potential problems at that level.

NACDS "isn't taking anything for granted," Kelley told *Drug Store News*, "but we are in a much better position than we were a few days ago," he said.

Only last month the Senate unanimously approved similar pharmacy crime legislation sponsored by Sen. Roger Jepsen (R-Iowa) setting Federal fines of up to $20,000 plus 20-

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Carls, P&C combo to open in N.H.

BOSTON—Pneumo Corp., parent company of Carls Drug and P&C Food, will open its first food/drug combination store late this summer in a former King's Department Store in Lebanon, N.H.

The 48,000-sq.-ft. combo will carry both the Carls and P&C logos and will feature a mix of about 70% food and 30% drug merchandise.

"We've seen that others have been successful with this concept, so we're going to try it," said Pneumo spokesman Walter Rodgers.

The combo format will be new to Lebanon, an area with a potential draw of about 23,000. The town is 142 miles from Pneumo's Boston headquarters and over 250 miles from P&C's and Carls' headquarters.

According to Rodgers, P&C is already a dominant food retailer in New Hampshire, but Carls is unknown. The teaming of Pneumo's two retailers will thus help to launch the Carls name in the state. Carls currently operates 36 units primarily near its Rome, N.Y., headquarters.

"It's an outstep for Carls," Rodgers said, "and we might consider expansion into that market."

In Lebanon, the only other drug chain is CVS. P&C's major chain competitors are Purity Supreme and Grand Union.

The company will monitor the success of its first combo before deciding on others, Rodgers said. He added that the company opened its first side-by-side Carls and P&C units last summer in a Syracuse, N.Y., suburb. He said the unit has been successful and that was one of the factors that helped Pneumo decide on the New Hampshire venture.

The food/drug group at Pneumo, which also designs and manufactures aircraft supplies, has been showing steady improvement over the past few years, thanks in part to major remodeling activities. The group contributed 73% of Pneumo's fiscal 1983 revenues.

—News in brief—

BBC's Fiery named to new post

LOS ANGELES—Elmer M. Fiery has been named president of Bergen Brunswig's wholesale drug distribution company, Robert E. Martini, president of the corporation, announced. Fiery had been serving as vp of Drug Distribution East since 1972. Fiery, who is this year's chairman of the National Wholesale Druggists' Association joined BBC in 1979 as a sales manager in South Brunswick, N.J.

Giant cancels sex education tapes

WASHINGTON—Giant Pharmacy officials abruptly discontinued offering taped sexual advice over the chain's new health information telephone "hotline" following protests from Washington, D.C.-area religious and antiabortion groups. (See earlier story, page 11.)

Although the chain will continue to offer phone-in prerecorded advice on some 200 other health topics, tapes dealing with such issues as abortion, masturbation, homosexuality and birth control have been discontinued, Giant officials said.

The eight controversial "sexology" tapes had been approved by the Maryland State Medical Society as well as a separate "screening" committee. But Catholic Church leaders as well as "pro-life" antiabortion activists termed the recorded sex education messages "extreme."

Carter named Eckerd vp

CLEARWATER, Fla.—Eckerd Drug Co. named James Michael Carter, manager of the Georgia-Alabama division, as a company vp. Carter will continue to supervise the division's 207 stores. Carter, who joined the chain in 1966 as a pharmacist, came to the Georgia-Alabama division from Florida, where he served as district manager in Orlando and Clearwater.

McKesson plans AMBI buy

SAN FRANCISCO—McKesson Corp. has signed a letter of intent to purchase AMBI Medical Management Systems in a stock buyout valued at over $3 million. AMBI, which processes claims and provides billing, computer services, marketing consultation and training for durable medical equipment retailers, will become part of SunMark Home Health Care, a separate McKesson subsidiary that specializes in DME equipment for home convalescents.

Walgreens Feb. sales rise 19%

DEERFIELD, Ill.—Walgreen Co. announced February sales of $213.5 million, an increase of 18.9% from $179.5 million for the same month in 1983. Charles R. Walgreen said the healthy increases came from strong prescription sales, the excellent performance of its restaurants and continuing drug store expansion.

F&M plans new deep-discount units

WARREN, Mich.—F&M will expand its deep-discount chain with new sites in Saginaw, Mich., and Buffalo Grove, Ill. That brings to 14 the number of F&M units in operation.

Signs in Perry store tout discounts of up to 40%.

Perry cuts prices in Mich. mkt. war

PONTIAC, Mich.—Perry Drug's discount program, enacted to combat the tough competition in its primary market of Michigan, has bolstered sales without negatively impacting margins.

"We knew we had to do something," explained Perry's vp/merchandising Dave Peterson. Peterson was referring to the hotbed of competitive activity that includes not only deep discounters such as F&M and Warehouse Way but also sharp drug store operators like Arbor.

Perry's answer, according to Peterson, was to cut prices on several key categories whose suggested retails allow room for discounting.

Huge signs touting discounts of up to 40%, as well as a print, TV and radio campaign telling shoppers they'll "never have to pay a full price again," hammered home the discount image to Perry customers.

The result? "We've been able to hype sales without a negative impact on gross margins," Peterson said. "Initially, we had some cherrypicking, but now we have increases throughout the entire mix. We've been able to expose more shoppers to our broad mix and to high gross profit departments."

Categories discounted in Perry include: Timex 30% off; franchised cosmetics, about 20% off; Goody hair care, Whitman and Sanders Candy and Westinghouse light bulbs, 40%.

According to Peterson, Perry began testing the concept last August in its Kalamazoo and Battle Creek outlets. "We first wanted to see what would happen to our margins," he noted. Although he wouldn't reveal how much sales have risen, the program has been so successful that all drug chains now have the discount policy in place.

Although the signs mimic the style of a deep-discount unit, Perry has not realigned its buying strategies.

Exec tells NWDA

Long-term health care: shot in arm for Rxmen

DALLAS—R. Timothy Webster, executive director of the American Society of Consultant Pharmacists, warned drug wholesalers that a unique new trade group is emerging as pharmacists extend their efforts into the $1 billion long-term health care market and that wholesalers had better be ready for it.

Speaking before a meeting of drug wholesalers at this year's NWDA marketing conference, Webster said that as the Federal Government's Diagnosis Related Groups system becomes commonplace and hospitals begin to discharge patients earlier, many of these patients will end up in nursing homes.

"The growth of the long-term care industry is very dramatic," explained Webster. "We went from 200,000 beds in 1960 to 1.5 million in 1980. With earlier discharges from hospitals, this number will most definitely grow."

Because most of these nursing homes do not have the professionals or facilities to offer pharmacy and other health care supplies on their own, they will be looking to retail companies to supply these needs. Webster pointed out that the average nursing home patient has 6.1 medication orders, which translates into five scripts per patient per month.

"The level of health professional at a nursing home is at the LPN level or less," said Webster. "That leaves a real

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FINANCIAL

Adams net earnings rise 56%, sales 6%

PAWTUCKET, R.I.—Adams Drug posted a 56% increase in net earnings and a 5.5% rise in sales for the fiscal year ended Dec. 31. For the year, earnings rose to $7.1 million, or $1.74 per share, from $4.6 million, or $1.12 per share, a year earlier. Sales increased to $302.1 million from $286.2 million.

With earnings growth outstripping sales growth by more than 10 to 1, Adams' net-to-sales ratio advanced by a strong 0.8 of a percentage point to 2.4%.

For the fourth quarter, earnings increased to $4.6 million, 65% higher than the $2.8 million reported in the prior year period. Earnings per share for the quarter increased to $1.12 from 68¢. Sales rose 5.6%.

Thus earnings for the fourth, or Christmas, quarter accounted for 64% of the chain's earnings for the entire year.

"We were extremely pleased with our achievements in 1983," said Charles Salmanson, chairman.

Genovese net leaps 46%

MELVILLE, N.Y.—Genovese Drug Stores announced that net earnings for the fiscal year ended Feb. 3 increased 46% to $3.9 million from $2.6 million the previous year.

Sales for the 53-week year rose to $193.8 million, 22% higher than the $158.7 million reported in the prior year.

Earnings per share, adjusted for a 20% stock dividend distributed last April and a 2-for-1 stock split distributed in October, rose to 96¢ from 67¢.

For the fourth quarter, net earnings increased 43.7% to $1.7 million from $1.2 million in the corresponding year-earlier period. Earnings per share, also adjusted to reflect last year's increases in shares, were 43¢ for the quarter compared to 30% in the previous period.

Sales for the quarter rose to $54.6 million.

Outpace 29% sales gain

Perry profits advance 57%

PONTIAC, Mich.—Perry Drug Stores posted a 57% increase in earnings and a 29% gain in sales for the first quarter ended Jan. 31.

With earnings growth outpacing sales growth by almost 2 to 1, the chain managed to boost its net-to-sales ratio for the quarter to 3.4%, a gain of 0.6 of a percentage point over the corresponding 1983 period.

Earnings for the quarter rose to $3.3 million from $2.1 million in the comparable year-earlier period, while sales increased to $96.2 million from $74.5 million. Earnings per share, assuming full dilution, were 53¢, 20% higher than the 44¢ per share achieved a year ago.

"Our outstanding first quarter performance reflects improvements in our overall gross profit margin, important contributions to sales and earnings made by our newly acquired FAS Auto Works division, as well as overall improved market conditions," said Jack A. Robinson, chairman and ceo.

Robinson said that sales of "seasoned stores"—those in operation at least a year—increased 12% over the same 1983 period.

Since the end of the fiscal year ended Oct. 31, Perry has opened six new stores—two drug stores, three discount auto parts outlets and an auto-home center. The chain now operates 189 stores in six states: Maryland, Illinois, Indiana, Kentucky, Ohio and Wisconsin. They include Perry and Gould conventional drug stores, auto parts stores called Auto Works and FAS Auto Works, and A. L. Price deep-discount health and beauty aids stores.

Robinson said that "the momentum created in fiscal 1983 has established a foundation for even better results in the present fiscal year."

Dart, Peoples lead chain drug advance

Name	Symbol	STOCK PRICE 2/24/84—3/12/84 High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	TREND TO MARKET: Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE: Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt	Change Pct	5-Year Annual Growth Rate	Profit Margin	P/E: Latest P/E Ratio	DIVIDENDS: Indicated Dvd. Rate Amt	Yield	Last X-Dvd. Date	FINANCIAL POSITION: Last Fiscal Year Revenue	Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	16.75	13.00	14.25	1.25	9.62	24.88	12.38	.54	-2.21	2.27	39.89	1.12	.39 N	42.8	17.0	1.6	11.0	.04	3	12-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	33.88	31.75	33.50	.25	.75	44.00	24.19	.17	.41	-2.01	4.61	2.69	.87 N	35.2	44.0	1.2	10.0	.48	1.4	12-09-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	16.25	16.00	16.00	-.25	-1.54	24.00	15.00	.04	.06	-4.43	50.00	1.47	1.46 N	NC	-10.0	1.4	11.0	.68	4.3	01-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	11.38	10.63	10.63	-.50	-4.49	14.50	7.63	.07	-.61	3.45	-44.20	.53	1.4 F	35.8	22.0	3.0	20.0	.00	.0	09-21-83	117.0	3.5	2.5	21	3.36	1282
Dart Drug Corp	DRUGA	68.50	58.00	68.50	11.50	20.18	148.00	44.50	.03	2.56	-.50	17.34	5.43	6.32 N	207.2	67.0	3.1	7.3	.13	2	12-06-83	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	7.00	6.50	7.00	.00	.00	9.31	5.25	.59	.83	-2.33	-27.61	.55	.65 N	NC	NC	2.6	10.8	.00	0	01-25-84	26.7	.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	25.86	24.63	25.63	1.38	5.67	34.88	23.50	.16	.33	-.92	-18.47	1.91	.30 S	16.3	6.0	3.1	12.0	1.00	3.9	03-12-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	12.38	11.00	11.25	-.88	-7.22	14.50	8.81	.37	-.37	-1.54	-28.52	.48	.13 N	31.7	32.0	2.0	20.8	.14	1.2	03-19-84	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	15.38	14.00	14.38	.38	2.68	20.50	9.34	.54	-1.10	-1.54	11.11	.67	.26 N	45.6	32.0	1.6	17.3	.20	1.4	12-28-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	23.00	22.50	22.50	.00	.00	29.75	20.00	-.73	-.26	-6.72	-34.66	2.01	.49 F	32.2	7.0	2.7	11.2	1.00	4.4	01-09-84	320.5	8.7	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	45.75	41.63	42.50	-1.50	-3.41	50.13	40.25	-.06	-.73	-1.66	1.14	3.43	.51 F	17.4	10.0	3.0	12.4	1.12	2.6	02-29-84	1214.4	36.4	1.8	.00	18.76	0183
Pay N Save	PAYN	20.00	18.75	20.00	1.00	5.26	28.75	17.50	-.09	.32	-.88	-15.84	2.02	.61 F	43.2	1.0	2.5	9.9	.60	3.0	02-17-84	1220.5	30.1	2.3	17.01	14.32	0183
Pay Less NW	PAY	17.88	15.25	15.75	.75	5.00	20.19	13.81	.28	-1.38	-.63	-12.80	1.35	.28 F	26.1	1.0	2.9	11.7	.27	1.7	03-19-84	352.9	24.7	2.0	5.26	6.07	0183
Peoples Drug	PDG	33.75	33.25	33.63	9.00	36.55	33.75	20.25	2.09	.08	6.33	-29.68	1.79	.40 F	28.7	23.0	1.7	18.8	.28	.8	02-17-84	791.1	13.7	1.8	4.92	11.56	0983
Perry Drug	PDS	15.75	14.50	14.63	-1.00	-6.40	22.38	11.69	-.12	-.76	1.30	6.50	1.02	.37 Q	50.0	11.0	1.6	13.2	.24	1.6	02-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	32.13	30.25	31.50	-.38	-1.18	37.50	26.50	.00	.40	-1.83	14.24	2.13	.53 S	29.9	24.0	3.7	13.7	.68	2.2	02-17-84	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	20.25	18.25	19.00	-.38	-1.94	23.44	17.38	.27	.21	-4.35	-42.54	1.19	.61 N	83.5	26.0	3.9	14.2	.40	2.1	01-30-84	1294.7	49.9	1.7	.59	6.19	0283
Thrifty Cp	TFD	15.50	13.50	13.75	-1.50	-9.84	25.25	11.31	.14	-1.34	.59	54.69	1.13	.23 Q	24.7	18.0	1.9	11.9	.52	3.8	02-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	35.75	32.25	34.00	1.75	5.43	40.38	26.50	-.02	.17	-.45	8.50	2.24	.46 Q	24.4	34.0	2.9	14.5	.72	2.1	02-10-84	2360.6	69.0	1.6	1.75	11.47	0683
Wholesaler's transactions																											
Bergen Bruns	BBCA	23.88	21.00	22.38	-.13	-.56	39.50	21.00	-.02	-.76	-2.34	-26.38	1.60	.24 Q	17.0	40.0	1.4	13.6	.32	1.4	01-26-84	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	39.13	34.75	35.25	-3.00	-7.84	51.00	34.75	-.34	-1.23	-1.38	-29.31	3.44	.38 N	11.7	5.0	1.6	9.8	2.40	6.8	02-24-84	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	25.00	23.38	24.25	1.00	4.30	28.50	22.25	.28	.29	9.78	-1.32	.94	1.43 N	NC	103.0	.7	17.0	.00	0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	15.88	11.75	14.50	-1.13	-7.20	21.00	11.19	-.53	.26	2.71	17.28	.89	.51 N	113.3	97.0	4	15.1	.00	0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	14.75	13.25	13.75	.50	3.77	19.25	13.00	.03	-1.33	-.01	5.45	1.41	.64 F	83.1	8.0	1.2	9.8	.36	2.6	03-09-84	255.2	3.0	2.8	10.55	9.76	1282
Spectro Indus	SPO	17.88	15.50	16.25	-1.63	-9.09	28.75	15.50	-.37	-1.35	-2.21	18.04	1.35	.31 N	25.0	48.0	1.6	10.5	.14	.9	12-29-83	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	43.63	39.00	41.50	-1.00	-2.35	53.38	39.00	-.28	.58	1.40	24	2.86	.49 F	20.6	28.0	11.9	14.5	1.00	2.4	01-09-84	2927.9	347.6	1.3	1.56	10.74	1282
Am Home Prod	AHP	53.75	51.38	52.75	.50	.96	54.75	42.88	.20	.31	.62	-16.11	4.00	.41 F	11.4	17.0	12.9	13.2	2.64	5.0	02-06-84	4856.5	627.2	2.7	.00	11.83	1282
Baxter Travenol	BAX	18.63	16.38	17.50	-1.13	-6.04	31.31	16.38	-.76	.75	1.21	-23.25	1.45	.23 F	18.8	28.0	11.8	12.1	.33	1.9	03-23-84	1842.5	218.1	2.0	1.18	7.52	1282
Block Drugs Co	BLOCA	27.25	27.00	27.00	.00	.00	34.47	21.38	-.03	.07	.29	-26.92	2.85	.47 N	17.6	14.0	9.7	8.6	1.00	3.7	02-24-84	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	44.50	42.38	44.50	.50	1.14	47.88	34.50	.07	.37	-.45	3.76	3.00	.41 F	15.8	19.0	10.4	14.8	1.60	3.6	04-02-84	3917.0	408.0	2.3	.84	12.68	1282
Carter-Wallace	CAR	25.75	24.63	25.13	-.63	-2.43	29.00	18.00	.20	-.08	-1.89	12.90	2.12	.31 N	15.5	35.0	5.7	10.9	.48	1.9	02-06-84	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	11.75	10.50	10.88	-.75	-6.45	13.75	10.38	-.33	-.92	-2.08	24.91	NA	NA	NA	NA	NA	NA	.12	1.1	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	21.13	16.13	17.00	-4.00	-19.05	40.75	16.13	-1.18	-3.95	-.75	34.08	.48	-.02 N	-3.5	57.0	13.4	31.5	.00	0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	6.38	5.00	6.13	.50	8.89	15.25	4.88	-.41	.83	3.19	-29.53	.22	-.20 F	-47.6	33.0	5.1	27.8	.00	.0	00-00-00	37.0	1.9	1.8	.65	3.81	1182
Key Pharm	KPH	15.25	14.13	14.63	.25	1.74	25.94	13.38	-.38	.22	-.29	-14.82	.51	.17 F	50.0	60.0	14.8	28.7	.16	1.1	03-12-84	127.3	18.8	1.6	.03	1.14	1282
Lilly Eli Co	LLY	65.38	62.63	62.75	-2.25	-3.46	68.38	56.75	.24	-.40	-2.53	-5.65	6.13	.71 F	13.0	12.0	15.1	10.2	2.90	4.6	02-08-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.00	2.63	2.75	.13	4.76	4.38	2.00	.49	-.84	.61	-29.87	-.49	.54 Q	NE	-57.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	32.00	27.75	29.50	.25	.85	48.00	27.25	-.13	-.86	-4.47	-14.10	.78	.43 S	72.8	15.0	8.2	28.9	.40	1.4	03-14-84	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	96.25	90.00	90.75	-.38	-.41	104.63	81.75	.30	-.17	2.25	17.36	6.10	.49 F	8.7	7.0	13.9	14.9	3.00	3.3	11-29-83	3246.1	450.9	2.1	4.56	29.81	1282
Morton Thiokol	MTI	71.75	60.00	61.63	-10.38	-14.41	83.38	58.50	-.63	-.42	2.67	8.43	5.15	1.09 S	23.1	17.0	5.2	10.6	1.76	2.9	02-23-84	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	5.88	4.50	5.50	-.25	-4.35	11.38	4.50	-.48	3.31	2.01	-3.98	-.03	.00 S	NE	19.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	38.88	36.63	38.63	1.13	3.00	44.75	33.88	.28	.55	-.07	-6.80	2.73	.62 F	29.3	17.0	11.9	14.1	1.32	3.4	01-26-84	3750.0	447.1	2.0	3.37	12.82	1282
Reid Prov Labs	REID	4.25	3.00	4.00	1.00	33.33	6.09	1.91	.86	1.41	3.89	-34.10	.10	.06 S	85.7	64.0	6.1	30.8	.05	1.3	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	18.63	16.75	18.13	.25	1.40	29.38	16.63	-.19	1.31	-1.45	-8.38	2.40	.42 F	21.2	20.0	10.3	7.6	.68	3.8	02-03-84	563.5	58.2	4.0	1.50	13.29	1282
Rorer Group	ROR	28.75	26.63	27.63	.63	2.31	34.25	25.00	.26	.12	-.03	5.49	2.02	.22 F	12.2	11.0	8.9	13.7	1.08	3.9	02-06-84	475.3	42.4	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	14.75	12.63	12.75	-1.13	-8.11	29.63	12.25	-.20	-2.03	2.65	10.66	1.13	-.39 N	-36.7	2.0	5.2	19.0	.32	2.5	03-14-84	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	48.25	44.50	48.13	1.88	4.05	55.88	34.75	.32	2.07	.80	18.71	2.39	-.17 F	-6.6	14.0	11.6	20.1	.52	1.1	02-06-84	946.0	110.0	2.2	4.10	13.32	1282
Squibb Corp	SQB	46.63	43.63	45.25	-1.38	-2.95	55.63	38.25	-.17	.41	-2.38	22.87	3.31	.30 F	9.9	6.0	9.8	13.7	1.44	3.2	02-10-84	1768.9	173.3	2.3	6.54	21.29	1282
Sterling Drug	STY	24.88	23.88	24.13	.00	.00	29.63	23.50	-.12	-.22	-3.29	7.84	2.24	.07 F	3.2	8.0	7.2	10.8	1.12	4.6	02-09-84	1901.2	136.8	2.8	1.19	14.16	1282
Syntex Corp	SYN	43.00	39.13	40.88	-2.00	-4.66	62.50	39.13	-.52	.21	-.84	-9.58	4.30	.40 S	9.9	36.0	17.2	9.2	1.60	3.9	02-06-84	870.2	145.3	2.2	3.37	18.11	0783
Thompson Med	TM	16.13	14.63	15.63	.88	5.93	26.00	12.75	-.19	.17	-1.19	-12.14	1.65	.49 F	42.2	89.0	11.0	9.5	.40	2.6	12-23-83	149.4	16.5	4.5	.00	4.53	1182
Upjohn Co	UPJ	59.50	56.50	59.00	2.63	4.66	68.75	50.63	.17	.10	1.67	5.49	5.28	1.10 F	26.3	1.0	8.1	11.2	2.56	4.3	01-03-84	1986.1	160.2	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	36.75	30.75	33.75	1.63	5.06	36.75	26.38	.39	.14	1.80	-3.59	2.51	.46 F	22.4	-2.0	6.5	13.4	1.48	4.4	02-06-84	3108.3	200.5	2.1	8.51	17.28	1282

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

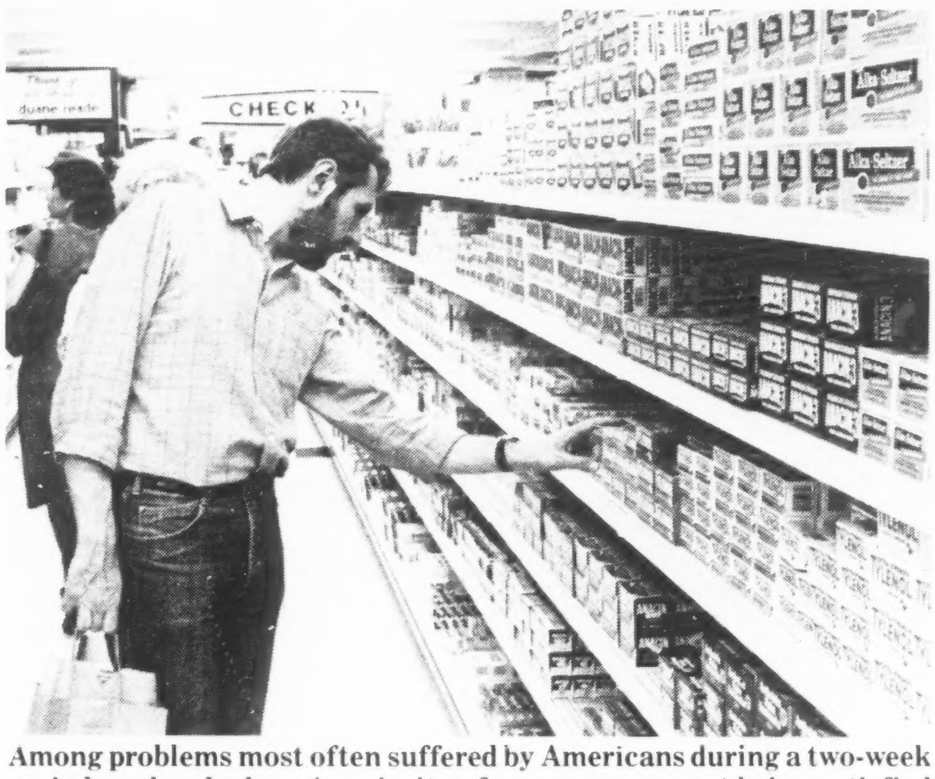
Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

• **Special report: how Americans use OTC products**

PHARMACY

Conducted by Proprietary Association

Study finds moderation characterizes OTC use



Among problems most often suffered by Americans during a two-week period are headaches. A majority of consumers report being satisfied with OTC analgesics.

ALEXANDRIA, Va.—The average American has more than 300,000 over-the-counter products at his or her disposal, and many more are entering the marketplace almost daily.

The growing variety of OTC's, compounded by the relatively new trend to shift certain select prescription products to OTC status, has some public officials worried about how responsibly Americans are using OTC's.

But according to a just-released study sponsored by the Proprietary Association, there is little cause to worry. Americans, the study shows, use OTC's in moderation. They use them appropriately to treat the problems they were intended to treat. They use them carefully, reading the label or asking pharmacists for recommendations. They stop using them as soon as the problems go away.

The study, which is the first national poll of how Americans actually treat medical problems, was conducted over a 12-month period. There were 2,062 total respondents, including 1,230 adults, 263 teenagers and 569 mothers answering for children under 13.

Telephone and followup mail interviews were conducted by Harry Heller Research, a well-known marketing research firm.

Among the major findings were these:

- In a typical two-week period, the average American is exposed to some 4.5 health-related problems, ranging from those as minor as headaches or general sense of fatigue to severe burns or viruses.
- Fifty-one per cent of these problems are either not treated (37%) or treated with a home remedy like chicken soup (14%).
- Thirty-five per cent are treated with an over-the-counter medication.
- Nine per cent of these problems are taken to a doctor or dentist, while the rest are treated with prescription products that may still be available in the house.

For those Americans who decided to treat their problems with OTC medications, the PA study discovered the following:

- Approximately 91% of those respondents who used an OTC only used a single product.
- The OTC product selected was appropriate to the problem to be treated: an antiseptic for a cut, scratch or insect bite or an analgesic for a headache or arthritis.
- Forty per cent of the respondents used the product only for one day.
- Ninety-two per cent of those who used OTC medications said they were satisifed with the way they worked.
- Ninety-three per cent said they would use that same product again for that same problem.
- Ninety per cent said they stopped using the product when the problem went away.

Eight out of 10 respondents in the study told the researchers that if possible, they prefer to fight symptoms without taking any medication. A whopping 96% said they believed medication should only be taken "when absolutely necessary."

Nearly 8 out of every 10 respondents said it was important to have nonprescription medicine available to relieve minor medical problems, and since four times as many respondents chose to treat their problems with an OTC medicine rather than go to a doctor, it was clear that if OTC's were not available the load on professional health services would increase dramatically.

There was virtually no difference in the way Americans of

Continued on page 17

Satisfaction with OTC treatments

Problem	% of respondents
Digestive system	94
Pain	94
Respiratory	92
Feminine	94
Skin	91
Eye/ear/ nose/mouth	91
General well-being	76
Overall	92

Source: Proprietary Association

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• **Special report: how Americans use OTC products**

PHARMACY℞

Study shows moderate OTC use

Continued from page 16

different ages, income levels, sexes and race used OTC's. The only major difference was that the elderly, those with lower incomes and less education used professional help more often than other Americans, and pregnant women used self medication the least: Only 18% used OTC's compared to 33% in the population at large.

The more serious the problem, the more likely Americans are to seek medical help. Infections, ulcers and asthma had high levels of professional involvement, while problems like age or liver spots, baldness, over- or underweight and bruises were generally ignored.

Over-the-counter products were used most commonly to treat such problems as headaches, lip problems, athlete's foot, chronic dandruff and the common cold.

The study also showed that the majority of Americans are cautious about the way they ingest self medication. Only those Americans with relatively serious discomfort chose to use an OTC product on the first day of their problem: 81% of those who had over-indulged in alcohol, for instance, did use an OTC on the first day.

In contrast, just 16% of those with bunions or calluses used OTC treatments the first day as did 19% of those with acne problems and 24% of those with athlete's foot.

The overall satisfaction level with OTC products was high: 92% of all those who used OTC products said they were satisfied. But certain remedies elicited even higher levels of satisfaction. For instance, 98% of those respondents who used OTC to treat back problems, 97% who used OTC's to treat minor cuts, scratches and premenstrual problems and 96% who used OTC's for upset stomachs, indigestion and insect bites reported they were satisifed.

A majority of consumers said package labels and pharmacists help them decide which medication to take.

Careful consumers detail self-medication practices

According to the findings of the Proprietary Association's recent study of medication treatment patterns, the average American has a highly responsible attitude toward self-treating their medical symptoms.

Ninety-five per cent of the respondents in the survey agreed that a consumer should be "careful" when using OTC's, and 96% agreed that a consumer should read the instructions before taking an OTC for the first time and that they should only take medication when it was "absolutely necessary."

Ninety-five per cent of the respondents said they felt it was *not* safe to take as many OTC's as they might wish.

Only 10% of the respondents believed prescription products were more effective than OTC's, and over 70% believed that OTC products are just as effective as prescription products "for some problems."

Over 85% said that reading package labels was one way to decide which OTC to take while 70% said a pharmacist can be a "good source of information" and that advertising also helps them both in deciding what to take and learning what is available.

Instead of taking too many OTC's or taking them too often, 40% of the respondents in the study reported they took one product per problem.

Nine out of 10 respondents said that when they stopped using OTC's, it was because their problem had gone away.

Nearly 8 out of 10 respondents in the study (76%) agreed with the statement that if you took a medication too often, it might not be effective when you really need it to work.

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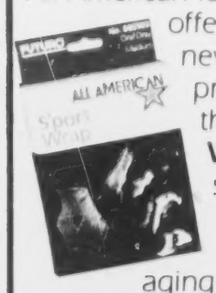

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• Special report: how Americans use OTC products

PHARMACY℞

P.A. study surveys 1,500

The Proprietary Association's study of self-medication was conducted among a nationally representative sample of 1,500 respondents over the age of 13.

Prior to the actual survey, which was conducted by the Harry Heller Research Corp., respondents were screened to determine if they fit into a specific age group and if they would participate. Mothers of children under 12 were asked to respond to questions about their offspring. The resulting study is based on 1,230 interviews with respondents 18 and over; 263 teenagers and 569 mothers of children under 12.

Those participating in the study were mailed a package of materials with a dollar to encourage cooperation. They were called about a week later and interviewed.

First they were questioned about a "problem" list inside the package that contained 68 different ailments. They were asked which problems they had experienced over the past two weeks and about the symptoms. They were then asked to identify the method of treatment, if any, on the first day the symptoms appeared. They were also asked what was done on the following days.

Respondents then were questioned about the type of medication used; if they were still using it; if not, why they stopped, and whether they were satisfied with the medication. After these questions demographic information about the participant's household and family was collected.

Finally, the respondents answered a self-administered questionnaire about their attitudes toward self-medication, their activities and health records over the past year. The questionnaire was sent to the Heller Research Corp.

In a two-week testing period, consumers reported 78 different ailments ranging from respiratory problems to being overweight.

Skin ailments top list of consumer complaints

During a two-week period of time, over 50% of those surveyed by the Proprietary Association said they most frequently suffered from pain: with problems associated with general well-being, and with conditions of the skin.

Respondents reported on 78 different problems, which were divided into the following seven areas: skin, pain, general well-being, respiratory, eye/ear/mouth, digestive symptoms and feminine.

The largest number of those surveyed, 67%, complained of a variety of skin ailments, and the most frequently reported problems included minor cuts and scratches; acne and pimples; bruises, insect bites and stings. Other complaints included dry skin, sunburn, dandruff and athlete's foot.

The second-largest group, 57%, said they experienced pain—generally muscle aches, headaches, arthritis, rheumatism and back problems. Others reported pain associated with injuries, migraine headaches and bursitis.

Some 53% of those surveyed reported problems with general well-being, such as overweight, fatigue, sleeping problems and anxiety. The remainder said they suffered underweight problems, motion sickness, dehydration and fainting.

In the respiratory category, 49% reported such problems—as colds, sinus ailments, hay fever and related allergies. Others said they had sore throats and coughs not associated with colds; virus and flu, asthma, and bronchitis

Forty-four per cent of the respondents had eye/ear/mouth problems: minor eye problems; lip problems, and tooth problems. Others reported ailments with their ears or gums.

They were followed by some 40% who had digestive system problems: upset stomachs; indigestion; over-indulgence of food; diarrhea and constipation. Others said they suffered from over-indulgence of alcohol and ulcer problems.

In the last group, 27%, reported feminine ailments. Problems were premenstrual, vaginal and ailments associated with menopause.

The most frequently reported problems was over-weight (30%).

The study also found that women are more likely to report suffering from overweight problems, while men more frequently complained of minor cuts and bruises.

Most frequently reported medical problems*

Problem	% of adults
Overweight	28
Upset stomach/ indigestion	25
Muscle aches and pains	25
Minor eye problems	22
Headaches	21
Minor fatique	20
Minor cuts/scratches	19
Common cold	19

*% of adults experiencing problem over two-week period

Source: Proprietary Association

Youngsters record most doctor visits

Of the 9,148 problems reported in the Proprietary Association survey, only 9% were taken to a doctor or dentist, and the groups and who were more likely to seek professional help were the very young, the old, the poor and the less-educated.

The study reported that the ailments usually taken to doctors are those which can be more serious, with acute or painful symptoms and those which require professional diagnosis or therapy.

The ailment most often treated by a professional—36%—was skin infection. It was followed by ulcers, 33%; asthma, 32%; tooth and ear problems, 28%, and virus and flu, 26%. Other professionally treated ailments were pain associated with injury, arthritis/rheumatism and back problems.

The survey showed that only 7% of adults aged 18-34 sought professional treatment compared to 11% of those between the ages of 35 and 64 and 13% of those over 65. The largest percentage of those seeking professional help—15%—were children 12 or younger.

The study hypothesizes that because parents are more cautious about their children's health than their own, a youngster's ailment is less likely to be ignored.

The survey also revealed that 11% of the female teenagers surveyed contacted doctors for ailments as compared to 8% of the males their age.

Other findings included:

- That 10% of the female respondents contacted doctors compared to 8% of the males.
- That 12% of the black respondents sought professional treatment compared to 3% of the white.
- That 11% of those who had a high school education or less sought a doctor's treatment compared to 7% of those with a college education.

Problems most likely to be referred to a doctor or dentist

Problems	% of respondents
Infections	36
Ulcers	33
Asthma	32
Teeth problems	28
Ear problems	28
Virus/flu/ influenza	26

Source: Proprietary Association

Common discomfort frequently ignored

Most adults either tend to ignore minor health problems or treat them with home remedies, giving little heed to even those ailments that could become serious over a long period of time.

According to a Proprietary Association survey, 37% of a total of 9,148 reported ailments were ignored and another 14% were treated with home remedies. Together these choices make up 51% of the possible actions respondents could have taken about an ailment. This compares to the 35% of problems treated with over-the-counter drugs.

While the most commonly ignored problem was not a health-threatening condition—age spots—that go untreated 87% of the time—53% said they did nothing for diarrhea, that could become a more serious affliction over time. The same is true for a cough not associated with a cold, which was ignored 46% of the time.

Other frequently ignored problems were bruises, 75%; baldness, 74%; insomnia, 70%; underweight, 67%; minor fatigue, 61%; overindulgence of food, 57%, and minor anxiety, 54%.

The study showed that home remedies were most frequently used to treat skin problems. For example, most respondents, 41%, said they treated ingrown toenails by soaking their feet in hot water. Another 33% said they dealt with gum problems by rinsing with salt water.

Other common home remedies were water or butter for burns other than sunburn, 29%; hot liquid for sore throat not associated with cold, 28%, and "home brew" for overindulgence of alcohol, 24%.

Others said they used hot or cold compresses or a heating pad to treat pain associated with injury; adhesive bandages for cuts and scratches, soap and water for acne; diet for weight problems, and hot soakings for bunions, corns or calluses.

Headaches: No. 1 use for OTC's

Adults treat headaches with over-the-counter medication more often than any other ailment, according to a survey conducted by the Proprietary Association.

Yet headaches are fifth on a list of most frequently occurring problems reported during a two-week testing period. Respondents said they suffered weight problems and indigestion most often. However, OTC medications for these problems are not among the top 10 used.

The survey reports that of the 9,148 problems reported, 35% are treated with OTC medications. The ailments in this category tend to be those that are annoying or those that make daily functioning difficult if the symptoms are not alleviated.

And of those who use OTC medications, the largest percentage—46%—are children 12 years old and younger. This may indicate that parents are cautious about their children's health and will administer medication for minor problems. The same ailments, suffered by adults may often be ignored.

Problems most likely treated with self-medication or nonprescription products

Problems	% of respondents
Headaches	71
Lip problems	70
Athlete's foot	66
Chronic dandruff	61
Common cold	60
Migraine headaches	59
Dry skin	58

Source: Proprietary Association

Of the problems suffered by adults, 71% of all headaches were treated with OTC drugs. This was followed by lip problems, 66%; athlete's foot, 61%, and chronic dandruff, 60%. Other ailments that were treated over 50% of the time with OTC medications were the common cold, migraine headaches, painful dry skin, menstrual, premenstrual and sinus problems.

OTC medications are used more frequently by females, according to the survey. Of the adults questioned, 35% of the women said they used OTC medications, compared to 30% of the men. Of the teenagers surveyed, 41% of the females used medication compared to 38% of the males.

There had been some expectation that the elderly would be using nonprescription medicines because they couldn't afford professional health care. However, this did not prove to be the case. In fact, there was only one percentage point difference in usage among the three following age groups: 18-34 years, 34%; 35-64 years, 33%, and 65 and over, 35%.

How Americans tend to treat medical problems

Method	% of respondents
Did not treat	37
Used an OTC medicine	35
Used a home remedy	14
Used prescription medicine in the home	11
Called went to a doctor or dentist	9

Source: Proprietary Association

MERCHANDISER

Mini-electronics make small-sized batteries big

With many consumer electronics products shrinking in size, sales growth in the small-size battery category is expected to outstrip gains made in the larger-sized batteries in the next few years.

The new miniature cassette player recorders, radios and calculators that have swept the country in recent years have led to an upsurge in demand for double A, triple A and button cell batteries.

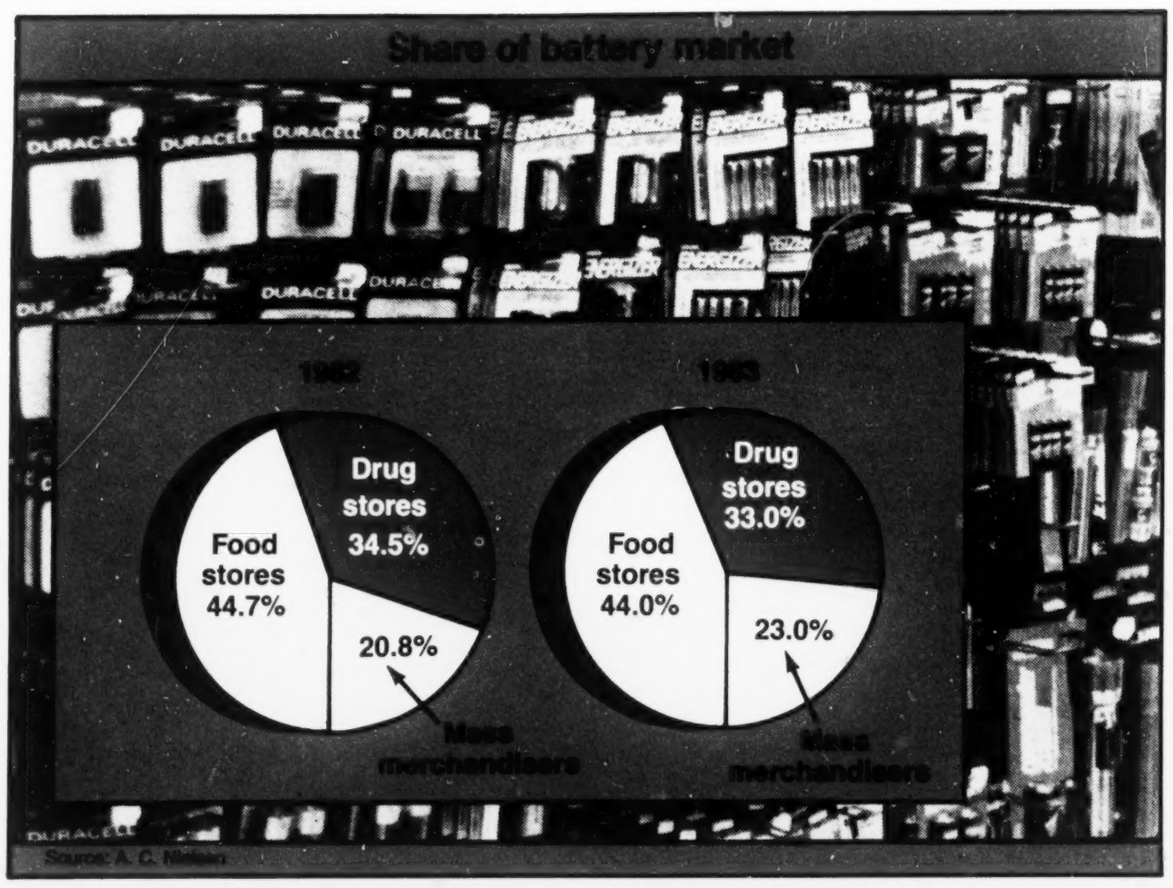
The shift in the battery market has provided a degree of uncertainty to a normally stable category. Retailers have reacted by stocking additional sku's of small batteries. In addition, some chains, which in the past have merchandised "button cell" batteries in jewelry, photo and consumer electronics departments, are now placing blister-packed "button cells" with their conventional batteries.

The battery category is generally regarded by many drug retailers as a good profit center that can also be used to bring people into the stores. Margins can frequently range from 30% to 40%, depending on deals from manufacturers. Turns usually average five to eight times a year.

Chains allocate approximately 4 ft. to 6 ft. for batteries in most stores. The displays are usually placed in the front end of the store to stimulate impulse sales or in the photo and electronics departments where they provide a natural complement to that merchandise.

Unlike many other price-sensitive drug store categories, consumers are less likely to shop around for the best prices on batteries. Consequently, drug retailers say that batteries can generate a healthy return on investment.

The growth of the smaller-sized batteries also comes at a time when more consumers are switching to alkaline batteries. According to one industry source, the alkalines controlled approximately 65% of the market in 1982. That compared with 18% for heavy-duty batteries and 16% for general-purpose batteries.



Industry projections are that the alkaline category will continue to grow at a rate of about 12% a year. By 1987, alkalines may account for as much as 71% of the total sales. Heavy-duty batteries may represent 20% of the market, while the general-purpose batteries are expected to dwindle to about 9%.

Overall, chain drug battery sales increased by 10% last year, according to figures from A. C. Nielsen. The drug segment, including both chains and independents, controlled approximately 33% of the market in 1983, down from 34.5% in 1982. However, chains managed to actually increase their share of the retail drug market, going from 78% in 1982 to 79% in 1983.

Mass merchandisers made the biggest gains in the battery category last year. The discounters were able to increase their share of the market from 20.8% in 1982 to 23% in 1983. The food segment dropped slightly from 44.7% to 44%.

While retailers expect strong gains in the small battery category, particularly the double A segment, sales of D size alkalines have also increased. Buyers attribute much of the increase to the growing popularity of large box radios.

In the alkaline category, which accounts for approximately 55% of all chain drug battery sales, D size batteries represent about 18% of sales. Double A batteries are the biggest seller with approximately 45% of the category sales. C batteries and 9-volts account for 16% and 9%, respectively. Lantern batteries, triple A and button cells make up the remaining 12%. However, industry sources say that the recent growth of the button cells and triple A batteries has probably been understated.

Retailers say that the 9-volt battery segment is declining in importance, mainly because manufacturers of toys and electronics have been switching to double A and in some instances to triple A batteries as the power source.

One chain in the Midwest reported sales of 9-volt batteries were down 20% to 30% last year, but that sales of double A batteries rose more than 30%.

Another major development in the battery category last year was the increasing number of chains which have begun selling rechargeable batteries. With nearly all of the major battery manufacturers currently marketing rechargeables, the category is expected to be a factor over the next few years.

But while chains such as Skaggs, Walgreens and Eckerd and smaller retailers like Lewis Self Service Drugs in Sioux Falls, S.D., are carrying a limited selection of rechargeables, many chain buyers say it is still too early to predict their success.

One of the big problems with the rechargeable category, buyers say, is educating consumers about the long-term benefits. The prices of rechargeables are often two to three times higher than disposable batteries. And if a consumer also has to spend between $9 and $15 for a charging unit, the initial purchase can cost more than $25 in some cases for two batteries and a charger.

However, manufacturers of nickel cadmium rechargeable batteries say that they could account for as much as 5% of all retail battery sales within the next three years.

Merchandising skill moves frames at Guild unit

The Guild store in Newport Beach, Calif., a high-income city, which borders even higher-income Corona Del Mar, does more volume in picture frames than any of the other 10 stores in the chain.

Certainly it helps to have affluent shoppers who take a lot of pictures—but competition is more intense here, too.

So it boils down to merchandising skills—and that's where store manager Jim Hoover excels. Hoover is the dean of Guild managers, having been with the chain for 18 years, 17 as a manager.

"Use the gondola end for an uptraded line of frames," is one of Guild store manager Jim Hoover's 10 commandments.

"Picture frames are often viewed as "just another department," he says. "But not in my book. Any category that yields 40% to 50% gross margins, with unit prices up to $20 and six turns a year—with an inventory investment of $800 at retail—is worth working at."

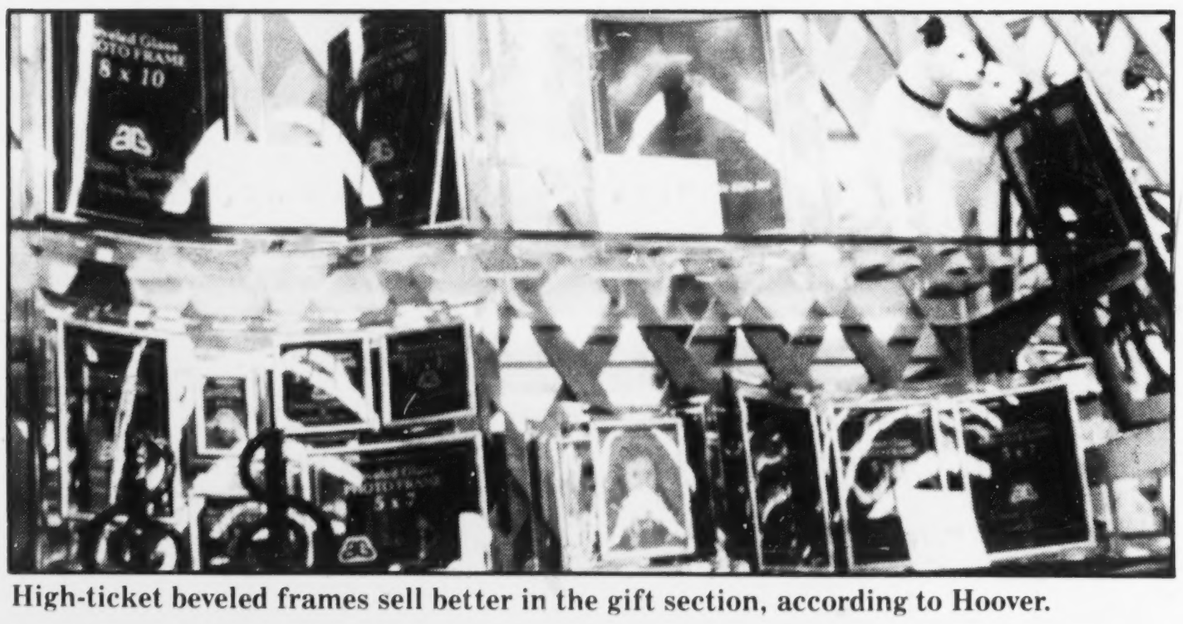
Here are Jim Hoover's Ten Commandments on selling picture frames:

1. Locate the department away from photo to funnel traffic into other areas of the store—but still put it in a highly visible place near the front. "Frames are part of a purposeful shopping trip," says Hoover, "not impulse. People pick up their processing, go home and decide on the enlargements—and then return to the store for the frames."

2. Use the gondola end for an uptraded line of frames. Guild pulled low-profit paper from the picture frame end and replaced it with a wood-stained fixture (furnished by the supplier) for $7.80 to $20 frames. In a companion move, accessories (7 lineal feet) were moved from hardware to adjoin the frames (20 lineal feet).

3. Split off the top ticket line of beveled frames (up to $34) to glass shelves in the gift section because they are primarily purchased for gifts.

4. Carpet the shelves of the picture frame gondola to upgrade the department and prevent frames from slipping off the shelf.



High-ticket beveled frames sell better in the gift section, according to Hoover.

5. Select a knowledgeable supplier and keep abreast of the best sellers.

6. Code-date incoming merchandise at the same time it is priced, and keep the department looking good by assigning one clerk to spend a few minutes daily straightening the stock.

7. Rotate the frames, with new stock in back of the old. "If you don't," says Jim Hoover, "old styles can stay hidden for months."

8. Mark down items 50% after six months. If carryover stock still remains, work out a credit arrangement with the supplier.

9. Use framed pictures for promotions only. "We've had success only with advertised items [16 in. x 20 in. and 20 in. x 24 in.]," says Hoover, "but not with staples. Certain styles appeal to people in certain areas. Items often become fads and you end up selling 2 out of a selection of 20."

10. Be flexible in your shelf layout. Most stores graduate the sizes—from the smallest on top to the largest on the bottom. "We flip-flopped 5x7 with 8x10 sizes which account for 80% of the business, putting the 8x10's on top. We found out from the photo department that 8x10 is the most popular enlargement in this store. Also, instead of having small frames (2½ x 3¼, 3½ x 5, 4x5, etc.) in a horizontal position on the top shelf, we broke them into a two-shelf vertical display. This gives them higher visibility while maintaining an unbroken line of 8x10's and 5x7's on the two top shelves," Hoover concluded.

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DRUG STORE NEWS

1984 Reference For Pharmacy Practice

Business Section

- Top 200
- Top 200 by Manufacturer
- Dispensing Profiles
- Bulk Buying Guide
- Pharmacy Computer Systems
- Manufacturer Trade Terms

Generic Section

- Prescription Sales Overview
- Top 20 Generics
- Leading Drugs Substituted
- Generic Trade Names
- Brand Common Name NDC Numbers

Clinical Section

- Contact Lens Solutions
- Sugar Free Products
- Low Sodium Products
- Drug Drug Interactions
- Administration Guide
- Drug Nutrient Interactions
- Drug Reference Guide

Continuing Education Section

- 100 Question Quiz
- Answer Sheet

DRUG STORE NEWS

1984 REFERENCE FOR PHARMACY PRACTICE

This year *Drug Store News* has updated last year's issue of the Reference For Pharmacy Practice. It has been determined through interviews with numerous pharmacists that a need exists for business-oriented information and more generic product information.

The BUSINESS SECTION is a commercial section that contains a myriad of business data useful to practicing pharmacists. Included in the section are the top 200 drugs, both by business terms and by manufacturer, profiles of leading drugs, a bulk buying guide, manufacturers' trade terms to retailers and wholesalers and many more features. Numerous sources have been used to compile this section.

The GENERIC SECTION presents information helpful to all pharmacists specifying the top generic products to stock, the brand of products pharmacists usually select in an open call situation, and generic to brand name reference guides. This newest section is in response to the added demands placed on the pharmacist by drug products selection laws.

The CLINICAL SECTION contains background material on some OTC products, drug/drug interactions, low sodium products and sugar free products. Also in this section is information on contact lens care and a guide to leading drugs.

The CONTINUING EDUCATION SECTION contains a 100 question quiz based on the material presented in the Clinical section of the book. Following successful completion of the test, pharmacists will be better prepared to instruct their patients and advise physicians on such matters as unwanted side effects of leading prescription drugs.

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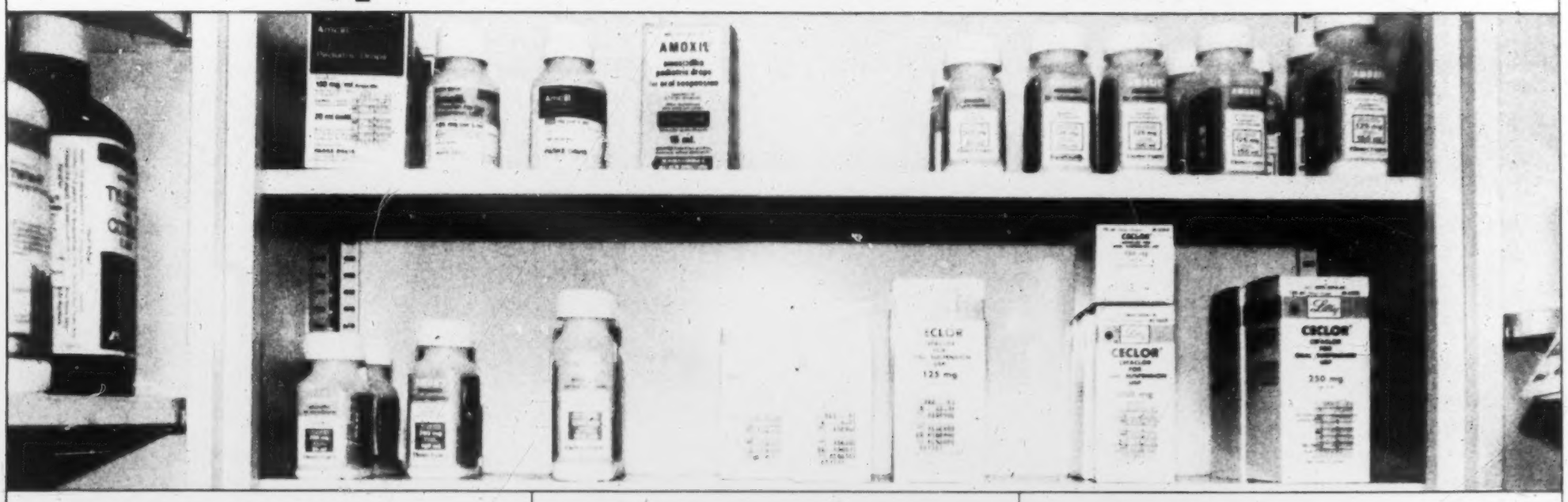
Top 200 Products Ranked



Number of Rxs	$ Volume	$ Margin*
1 Dyazide Capsules	Tagamet Tablets 300mg	Dyazide Capsules
2 Tylenol Tablets w/Codeine 30mg	Dyazide Capsules	Tylenol Tablets w/Codeine 30mg
3 Tagamet Tablets 300mg	U.D. Feldene Capsules 20mg	Tagamet Tablets 300mg
4 Valium Tablets 5mg	Valium Tablets 5mg	Darvocet-N Tablets 100mg
5 Darvocet-N Tablets 100mg	Darvocet-N Tablets 100mg	Valium Tablets 5mg
6 Lasix Tablets 40mg	Diabinese Tablets 250mg	Lasix Tablets 40mg
7 Lanoxin Tablets 0.25mg	Inderal Tablets 40mg	Slow-K Tablets 600mg
8 Slow-K Tablets 600mg	Motrin Tablets 600mg	Keflex Capsules 250mg
9 Lanoxin Tablets 0.125mg	Aldomet Tablets 250mg	U.D. Feldene Capsules 20mg
10 Aldomet Tablets 250mg	Procardia Capsules 10mg	Tenormin Tablets 50mg
11 Dilantin Capsules 100mg	Tenormin Tablets 50mg	Motrin Tablets 600mg
12 Inderal Tablets 40mg	Motrin Tablets 400mg	E.E.S. 400 Filmtabs
13 Motrin Tablets 400mg	Keflex Capsules 500mg	Motrin Tablets 400mg
14 Inderal Tablets 20mg	Keflex Capsules 250mg	Lanoxin Tablets 0.25mg
15 Motrin Tablets 600mg	U.D. Zantac Tablets 150mg	Lanoxin Tablets 0.125mg
16 Keflex Capsules 250mg	Tylenol Tablets w/Codeine 30mg	Lopressor Tablets 50mg
17 Diabinese Tablets 250mg	Lasix Tablets 40mg	Aldomet Tablets 250mg
18 Lopressor Tablets 50mg	Clinoril Tablets 200mg	Ativan Tablets 1mg
19 U.D. Feldene Capsules 20mg	Slow-K Tablets 600mg	Inderal Tablets 40mg
20 Amoxil Susp. 250mg/5ml 100ml	Naprosyn Tablets 375mg	Keflex Capsules 500mg
21 E.E.S. 400 Filmtabs	Lopressor Tablets 50mg	Procardia Capsules 100mg
22 Inderal Tablets 10mg	Inderal Tablets 20mg	Dalmane Capsules 30mg
23 Tenormin Tablets 50mg	Naprosyn Tablets 250mg	Monistat-7 Vaginal Cream w/App.
24 Lo/Ovral Tablets 21 Pk.	Ativan Tablets 1mg	Amoxil Suspension 250mg/5ml 100ml
25 Ativan Tablets 1mg	Valium Tablets 10mg	Inderal Tablets 20mg
26 Dalmane Capsules 30mg	Indocin Capsules 25mg	Bactrim DS 28 Pk.
27 Monistat-7 Vaginal Cream w/App.	Dilantin Capsules 100mg	Diabinese Tablets 250mg
28 Dimetapp Elixir	Timoptic 0.5% Ophth. Soln.	Dilantin Kapseals 100mg
29 Procardia Capsules 20mg	E.E.S. 400 Filmtabs	Dimetapp Elixir
30 Amoxil Susp. 125mg/5ml 100ml	Lo/Ovral Tablets 21 Pk.	Naprosyn Tablets 375mg
31 Bactrim DS Tablets 28 Pk.	Corgard Tablets 40mg 28 Pk.	Amoxil Suspension 125mg/5ml 100ml
32 Insulin NPH U-100 10ml	Monistat Vaginal Cream w/App.	Flexeril Tablets 10mg
33 Amoxil Capsules 250mg	Bactrim DS Tablets 28 Pk.	Septra DS Tablets 20 Pk.
34 Premarin Tablets 1.25mg	Inderal Tablets 10mg	Valium Tablets 10mg
35 Ortho-Novum Tablets 1/50 21 Ref.	Aldomet Tablets 500mg	Inderal Tablets 10mg
36 Premarin Tablets 0.625mg	Aldoril Tablets 25mg	Percodan Tablets
37 Indocin Capsules 25mg	Flexeril Tablets 10mg	U.D. Zantac Tablets 150mg
38 Dimetapp Extentab	Insulin NPH U100 10ml	Theo-Dur Tablets 300mg
39 Keflex Capsules 500mg	Tolectin DS Capsules 400mg	Amoxil Capsules 250mg
40 Theo-Dur Tablets 300mg	Lopressor Tablets 100mg	Empirin Tablets w/Codeine 30mg

*Based on AWP cost.

Top 200 Products Ranked

Number of Rxs	$ Volume	$ Margin*
41 Empirin Tablets w/Codeine 30mg	Theo-Dur Tablets 300mg	Tranxene Capsules 7.5mg
42 Lasix Tablets 20mg	Amoxil Suspension 250mg/100ml	Dimetapp Extentab
43 Valium Tablets 10mg	Tranxene Capsules 7.5mg	Indocin Capsules 25mg
44 Hydrodiuril Tablets 50mg	Transderm-Nitro 5mg 7 Dsk.	Premarin Tablets 0.625mg
45 Septra DS Tablets 20 Pk.	Clinoril Tablets 150mg	Parafon Forte Tablets
46 Ovral Tablets 21 day 3 Pk.	Tegretol Tablets 200mg	Premarin Tablets 1.25mg
47 Ortho Novum Tablets 1/25 28 Ref.	Dalmane Capsules 30mg	Naprosyn Tablets 250mg
48 Micro-K Capsules 8meq	Septra DS Tablets 20 Pk.	Theo-Dur Tablets 200mg
49 Naprosyn Tablets 375mg	Premarin Tablets 1.25mg	Clinoral Tablets 200mg
50 Tranxene Capsules 7.5mg	Ceclor Pulvules 250mg	Tylenol Tablets w/Codeine 60mg
51 Percodan Tablets	Tolinase Tablets 250mg	Vicodin Tablets
52 Flexeril Tablets 10mg	Inderal Tablets 80mg	Micro-K Capsules 8meq
53 Theo-Dur Tablets 200mg	Parafon Forte Tablets	Synalgos DC Capsules
54 Achromycin V Capsules 250mg	Ortho Novum Tablets 1/50 21 Ref.	Lasix Tablets 20mg
55 Synthroid Tablets 0.1mg	Naprosyn Tablets 500mg	Corgard Tablets 40mg 28 Pk.
56 Aldoril Tablets 25mg	Persantine Tablets 25mg	Lomotil Tablets 2.5mg
57 Clinoril Tablets 200mg	Quinaglute Duratabs	Moduretic Tablets 5/50mg
58 Lo/Ovral Tablets 28 day	Aldactazide Tablets	Timoptic 0.5% Ophth. Soln.
59 Corgard Tablets 40mg 29 Pk.	Nalfon Tablets 600mg	Achromycin V Capsules 250mg
60 Timoptic 0.5% Ophth. Soln. 15ml	Persantine Tablets 50mg	Fiorinal Tablets w/Codeine 30mg
61 Ortho Novum Tabs 1/35 21 Ref.	Zyloprim Tablets 300mg	Fiorinal Tablets
62 Naprosyn Tablets 250mg	Moduretic Tablets 5/50mg	Hydrodiuril Tablets 50mg
63 U.D. Zantac Tablets 150mg	Premarin Tablets 0.625mg	Ceclor Pulvules 250mg
64 Tylenol Tablets w/Codeine 60mg	Vibramycin Capsules 100mg	Ventolin Inhaler Refill
65 Vicodin Tablets	Ovral Tablets 21 day 3 Pk.	U.D. Restoril Capsules 30mg
66 Synalgos DC Capsules	Ortho Novum Tablets 1/35 28 Ref.	Synthroid Tablets 0.1mg
67 Ortho Novum Tabs 1/50 28 Ref.	Librax Capsules	Xanax Tablets 0.5mg
68 Parafon Forte Tablets	Theo-Dur Tablets 200mg	Tolectin DS Capsules 400mg
69 Valium Tablets 2mg	Accutane Capsules 40mg	Aldoril Tablets 25mg
70 Hygroton Tablets 50mg	Dolobid Tablets 500mg	Persantine Tablets 25mg
71 Moduretic Tablets 5/50mg	Vibra-Tabs 100mg	E-Mycin Tablets 333mg
72 Librax Capsules	Hydergine Oral Tablets 1mg	Zyloprim Tablets 300mg
73 Lomotil Tablets 2.5mg	Percodan Tablets	Anaprox Tablets 275mg
74 Fiorinal Tablets	Nitro-Dur Patch 10cm	Dalmane Capsules 15mg
75 Benadryl Capsules 25mg	Lanoxin Tablets 0.25mg	Proventil Inhaler 17gm
76 U.D. Restoril Capsules 30mg	Indocin SR Capsules 75mg	Hygroton Tablets 50mg
77 Persantine Tablets 25mg	Minipress Capsules 1mg	Nalfon Tablets 600mg
78 E-Mycin Tablets 333mg	Xanax Tablets 0.5mg	Eryc Capsules 250
79 Ventolin Inhaler Refill	Lo-Ovral Tablets 28 day	Minipress Capsules 1mg
80 Nitrostat Tablets 0.4mg	Anaprox Tablets 275mg	Lopressor Tablets 100mg
81 Minipress Capsules 1mg	Dimetapp Extentabs	Benadryl Capsules 25mg
82 Donnatal Tablets	Nolvadex Tablets 10mg	Naldecon Tablets
83 Dalmane Capsules 15mg	Indocin Capsules 50mg	Librax Capsules
84 E-Mycin Tablets 250mg	Ativan Tablets 2mg	Trinalin Tablets
85 Zyloprim Tablets 300mg	Hygroton Tablets 50mg	Valium Tablets 2mg
86 Fiorinal Tablets w/Codeine 30mg	Amoxil Capsules 250mg	Macrodantin Capsules 50mg
87 Aldactazide Tablets	Ser-Ap-Es Tablets	Provera Tablets 10mg
88 Phenergan Expt. w/Codeine	Reglan Tablets 10mg	Phenergan Expt. w/Codeine
89 Proventil Inhaler 17gm	Lanoxin Tablets 0.125mg	Dolobid Tablets 500mg
90 Omnipen Capsules 250mg	Ortho Novum Tabs 1/35 21 Ref.	Reglan Tablets 10mg
91 Hydrochlorothiazide Tablets 50mg	Ortho Novum Tabs 1/50 28 Ref.	E-Mycin Tablets 250mg
92 Ser-Ap-Es Tablets	Tylenol Tablets w/Codeine 60mg	K-Tabs 750mg
93 Eryc Capsules 250mg	Micro-K Capsules 8meq	Aldomet Tablets 500mg
94 Xanax Tablets 0.5mg	Minipress Capsules 2mg	Darvon Compound 65mg Pulvules
95 Benadryl Capsules 50mg	Lomotil Tablets 2.5mg	Catapres Tablets 0.1mg

*Based on AWP cost.

Top 200 Products Ranked

Number of Rxs	$ Volume	$ Margin*
96 Lopressor Tablets 100mg	Triavil 2-25 Tablets	Aldactazide Tablets
97 Erythrocin Tablets 100mg	Persantine Tablets 75mg	Entex-La Tablets
98 Aldomet Tablets 500mg	Ventolin Inhaler Refill	Omnipen Capsules 250mg
99 Pen-Vee K Tablets 250mg	Capoten Tablets 25mg	Persantine Tablets 50mg
100 Tegretol Tablets 200mg	Catapres Tablets 0.1mg	Benadryl Capsules 50mg
101 K-Tabs 750mg	Proventil Inhaler	E.E.S. Liquid 200mg
102 Trinalin Tablets	Insulin Lente U100	Septra Suspension
103 Naldecon Tablets	U.D. Procan SR Tablets 500mg	Donnatal Tablets
104 Norinyl Tablets 1/50 21 day Ref.	Amoxil Suspension 125mg/5ml 100ml	Ativan Tablets 2mg
105 Omnipen Capsules 500mg	Catapres Tablets 0.2mg	Erythrocin Tablets 250mg
106 Entex-La Tablets	Naldecon Tablets	Tegretol Tablets 200mg
107 Provera Tablets 10mg	Duricef Capsules 500mg	Lotrimin Cream 1%/90gm
108 E.E.S. Liquid 200mg	Dimetapp Elixir	Omnipen Capsules 500mg
109 Tolectin DS Capsules 400mg	K-Lyte Tablets, Orange	Vibramycin Capsules 100mg
110 Ceclor Puvules 250mg	Minocin Capsules 100mg	Pen-Vee K Tablets 250mg
111 Insulin Lente U100	Corgard Tablets 80mg 28 Pk.	Hydrochlorothiazide Tablets 50mg
112 Anaprox Tablets 275mg	Mellaril Tablets 25mg	Insulin NPH U100
113 Nalfon Tablets 600mg	Marcrodantin Capsules 50mg	Ser-Ap-Es Tablets
114 Tolinase Tablets 250mg	Lasix Tablets 20mg	Vibratabs 100mg
115 Catapres Tablets 0.1mg	Fiorinal Tablets w/Codeine 30mg	Talwin NX Tablets
116 Amoxil Capsules 500mg	Inderide Tablets 40-25	Transderm-Nitro 5mg 7 Disc
117 Rufen Tablets 400mg	Orinase Tablets 500mg	Amoxil Capsules 500mg
118 Ortho Novum Tabs 10/11 28 day	Hydrodiuril Tablets 50mg	Tolinase Tablets 250mg
119 Lotrimin Cream 1% 90gm	E-Mycin Tablets 333mg	Tranxene Capsules 3.75mg
120 Macrodantin Capsules 50mg	Tagamet Tablets 200mg	Rufen Tablets 400mg
121 Septra Suspension	Valium Tablets 2mg	Naprosyn Tablets 500mg
122 Ornade Spansules	Vicodin Tablets	Mycolog Cream 15gm
123 Darvon Compound Capsules 65mg	Empirin Tablets w/Codeine 30mg	Pediazole Suspension 150ml
124 Thyroid Tablets 1gr	Timoptic 0.25% Ophth Soln. 15ml	Desyrel Tablets 50mg
125 Reglan Tablets 10mg	Mycolog Cream 15gm	Clinoril Tablets 150mg
126 Cogentin Tablets 2mg	Synalgos DC Capsules	Ornade Spansules
127 Librium Capsules 10mg	Desyrel Tablets 50mg	Hydergine Oral Tablets 1mg
128 Mycolog Cream 15gm	Provera Tablets 10mg	Phenaphen Capsules w/Codeine 30mg
129 Benedryl Elixir	Tenormin Tablets 100mg	Indocin SR Capsules 75mg
130 Mellaril Tablets 25mg	Trinalin Tablets	Antivert Tablets
131 Rufen Tablets 400mg	Dolobid Tablets 500mg	Duricef Capsules 500mg
132 Enduron Tablets 5mg	Cardizem Tablets 60mg	Valisone Cream 0.1% 45gm
133 Clinoril Tablets 150mg	Norinyl-50 21 day Ref.	Norgesic Forte Tablets
134 Orinase Tablets 500mg	Fiorinal Tablets	Medrol 4mg Tablets
135 Phenaphen Caps w/Codeine 30mg	Minocin Capsules 50mg	Ionamine 30mg Capsules
136 Tranxene Capsules 3.75	Sinemet 25/250 Tablets	Benadryl Elixir
137 Synthroid Tablets 0.2mg	Amoxil Capsules 500mg	Percocet-5 Tablets
138 Persantine Tablets 50mg	E-Mycin Tablets 250mg	K-Lyte Tablets Orange
139 V Cillin K Tablets 250mg	U.D. Restoril Capsules 30mg	Enduron Tablets 5mg
140 Synthroid Tablets 0.15mg	Talwin NX Tablets	Elavil Tablets 25mg
141 Ovral Tablets 28 day	Eryc Capsules 250mg	Quinaglute Duratabs
142 Antivert Tablets 25mg	Atarax Tablets 25mg	Minipress Capsules 2mg
143 Coumadin Tablets 5mg	Nitrobid Capsules 6.5mg	Mellaril Tablets 25mg
144 Vibramycin Capsules 100mg	Pediazole Suspension	V Cillin K Tablets 250mg
145 Inderal Tablets 80mg	Librium Capsules 10mg	Tylox Capsules
146 Isordil 10mg Titradose	K-Tabs 750mg	Librium Capsules 10mg
147 Valisone Cream 0.1% 45gm	Norpace Capsules 150mg	Tenuate Dospan 75mg Tablets
148 Elavil Tablets 25mg	Carafate Tablets 1gm	Inderide Tablets 40-25
149 Norgesic Forte Tablets	Desyrel Tablets 50mg	Inderal Tablets 80mg
150 Vibratabs 100mg	Dalamane Capsules 15mg	Atarax Tablets 25mg

*Based on AWP cost

Top 200 Products Ranked

Number of Rxs	$ Volume	$ Margin*
151 Pediazole Suspension 150ml	Antivert Tablets 25mg	Isordil 10mg Titradose
152 Demulen Tripk.	Tranxene Capsules 3.75mg	Nitrostat Tablets 0.4mg
153 Klotrix Tablets 10meq	Ortho Novum Tablets 10/11 28 day	Klotrix Tablets 10meq
154 Materna 1/60 Tablets	Norpace Capsules	Coumadin Tablets 5mg
155 Phenergan VC w/Codeine	Minipress Capsules 5mg	Indocin Capsules 50mg
156 Medrol 4mg 21 day Dosepk.	Ornade Spansules	Capoten Tablets 25mg
157 K-Lyte Tablets Orange	Isordil 10mg Titradose	Synthroid Tablets 0.2mg
158 Triavil 2-25 Tablets	Demulen Tripk.	Materna 1/60 Tablets
159 Talwin NX Tablets	Mellaril Tablets 50mg	Synthroid Tablets 0.15mg
160 Zyloprim Tablets 100mg	Cardizem Tablets 30mg	Bactrim Pediatric Suspension
161 Mellaril Tablets 50mg	Valisone Cream 0.1% 45gm	Brethine Tablets 2.5mg
162 Minipress Capsules 2mg	Tolinase Tablets 500mg	Phenergan VC Expt. w/Codeine
163 Transderm Nitro 5mg	Meclomen Capsules 100mg	Tuss-Ornade Capsules
164 Antivert Tablets 12.5mg	Danocrine Capsules 200mg	Imodium Capsules 2mg
165 Inderide 40-25 Tablets	Parlodel Tablets 2.5mg	Nitrodur Patch 10cm
166 Tuss-Ornade Spansules	Flagyl Tablets 250mg	Catapres Tablets 0.2mg
167 Hydergine Oral Tablets 1mg	Enduron Tablets 5mg	Triavil 2-25 Tablets
168 Brethine Tablets 2.5mg	Ceclor Susp. 250mg/5ml 75ml	Cortisporin Otic Suspension
169 Atarax Tablets 25mg	Lotrimin Cream 1% 90gm	Persantine Tablets 75mg
170 Indocin Capsules 50mg	Synthroid Tablets 0.1mg	U.D. Restoril Capsules 15mg
171 Norgesic Forte Tablets	Darvon Compd. 65mg Pulvules	Ru-Tuss Tablets
172 Bactrim Pediatric Suspension	Aldactone Tablets 25mg	Fastin Capsules 30 Pk.
173 Timoptic 0.25% Ophth Soln.	Ovral Tablets 28 day Pk.	Zyloprim Tablets 100mg
174 Cortisporin Otic Suspension	Tenuate Dospan 75mg	Halcion Tablets 0.5mg
175 U.D. Restorial Capsules 15mg	Limbitrol 10-25 Tablets	Antivert Tablets 12.5mg
176 Percocet-5 Tablets	Ionamine-30 Capsules	Robaxin Tablets 750mg
177 Phenobarbital Tablets 30mg	Depakene Capsules 250mg	Serax Capsules 15mg
178 Nordette Tablets 21 day Pk.	Serax Capsules 15mg	Premarin Vaginal Cream w/Appl.
179 Indocin SR Capsules 75mg	Pavabid Capsules 150mg Uni-Rx	Orinase Tablets 500mg
180 Tetracycline Capsules 250mg	Nitrobid Capsules 2.5mg	Ornade Spansules
181 Naprosyn Tablets 500mg	Brethine Tablets 2.5mg	Stuartnatal 1 + 1 Tablets
182 Stuartnatal 1 + 1 Tablets	Calan Tablets 80mg	Timoptic 0.25% Ophth. Soln.
183 Capoten Tablets 25mg	Elavil Tablets 25mg	Kwell Shampoo
184 Apresoline Tablets 25mg	Medrol 4mg 21 dosepk.	Combid Spansules
185 Imodium Capsules 2mg	Combid Spansules	Fiorinal Capsules
186 Tylox Capsules	Transderm Nitro 10mg 30 Disk	Hygroton Tablets 25mg
187 Naldecon Pediatric Syrup	Imodium Capsules 2mg	Tagamet Tablets 200mg
188 Amcill Capsules 250mg	Coumadin Tablets 5mg	Xanax Tablets 0.25mg
189 Ionamine-30 Capsules	Materna 1/60 Tablets	Soma 350mg Tablets
190 Quinaglute Duratabs	Soma 350mg Tablets	Ambenyl Expect.
191 Ru-Tuss Tablets	E.E.S. Liquid 200mg	Apresoline Tablets 25mg
192 Sumycin Capsules 250mg	Percocet-5 Tablets	U.D. Procan SR Tablets 500mg
193 Hygroton 25mg Tablets	Omnipen Capsules 500mg	Thyroid Tablets 1 grain
194 Duricef Capsules 500mg	Septra Suspension	Accutane Capsules 40mg
195 Kwell Shampoo 60ml	Vanceril Inhaler	Cortisporin Otic Soln.
196 Erythromycin Base Filmtab 250mg	Entex-LA Tablets	Equagesic Tables
197 Insulin Lo-Dose Syringes U100	Mellaril Tablets 100mg	Ceclor Suspension 250mg/5ml 75ml
198 Ortho Novum Tablets 10/11 21 day	Triavil 4-25 Tablets	Centrax Capsules 10mg
199 Quinamm Tablets	Insulin Lo-Dose Syringes U100	Tavist-D Tablets
200 Tenuate Dospan 75mg	Sinemet 10/100 Tablets	Penn Vee K Tablets 500mg

*Based on AWP cost.

Note: Data supplied here is based on information collected during October 1983.

Seasonal variations will result in some shifts among products.

Source: Decision Data

Top 200 Ranked by Manufacturer

	Number Of Rxs	$ Volume	$ Margin
A. H. ROBINS			
Dimetapp Elixir	28	108	29
Dimetapp Extentabs	38	81	42
Donnatal Tabs	82	0	103
Micro-K Caps 8 meq.	48	93	52
Phenaphen Caps w/Codeine	135	0	128
Reglan Tabs 10mg	125	88	90
Robaxin Tabs 750mg	0	0	176
ABBOTT			
E.E.S. Liquid 200mg	108	192	101
E.E.S. 400 Filmtabs	21	29	12
Erythrocin Tabs 250mg	97	0	105
Erythromycin Base Filmtabs 250mg	197	0	0
Enduron Tabs 5mg	132	158	139
Depakene Caps 250mg	0	178	0
Tranxene Caps 3.75mg	136	153	119
Tranxene Caps 7.5mg	50	43	41
ARMOUR			
Thyroid Tabs 1gm	124	0	193
AYERST			
Inderal Tabs 10mg	34	34	35
Inderal Tabs 20mg	14	22	25
Inderal Tabs 40mg	12	7	19
Inderal Tabs 80mg	146	52	149
Inderide 40-25 Tabs	166	116	148
Premarin Tabs 1.25mg	34	49	46
Premarin Vaginal Cream w/appl.	0	0	178
Premarin Tabs 0.625mg	0	63	44
BD			
Insulin Lo-Dose syringes U100	198	200	0
BEECHAM LABS			
Amoxil Caps 250mg	33	86	39
Amoxil Caps 500mg	116	137	117
Amoxil Susp. 250mg/5ml 200ml	20	42	24
Amoxil Susp. 125mg/5ml 100ml	30	104	31
Fastin Caps 30-pk.	0	0	172

	Number of Rxs	$ Volume	$ Margin
BERLEX			
Quinaglute Duratabs	191	57	141
BOEHRINGER INGELHEIM LTD.			
Catapres Tabs 0.1mg	115	100	95
Catapres Tabs 0.2mg	0	105	166
Persantine Tabs 75mg	0	97	169
Persantine Tabs 50mg	139	60	99
Persantine Tabs 25mg	77	56	70
BOOTS PHARMACEUTICALS			
Rufen Tabs 400mg	117	0	120
Ru-Tuss Tabs	192	0	170
BRISTOL			
Naldecon Pediatric Syrup	188	0	0
Naldecon Tabs	103	0	82
BURROUGHS WELLCOME CO.			
Cortisporin Otic Susp.	175	0	168
Cortisporin Otic Soln.	0	0	195
Empirin Tabs w/cod. 30mg	42	123	40
Lanoxin Tabs 0.125	9	89	15
Lanoxin Tabs 0.25mg	7	75	14
Septra Susp.	121	195	102
Septra DS Tabs 20 pk.	45	48	33
Zyloprim Tabs 300mg	85	61	72
Zyloprim Tabs 100mg	161	0	173
CIBA PHARMACEUTICAL CO.			
Apresoline Tabs 25mg	185	0	191
K-Tabs 750mg	101	147	92
Ser-ap-es Tabs	0	87	113
Slow-K Tabs	8	19	7
Transderm Nitro 10mg 30 disk	0	187	0
Transderm Nitro 5mg 7disk	164	44	115
DISTA PRODUCTS CO.			
Keflex Caps 250mg	16	14	8

Top 200 Ranked by Manufacturer

	Number Of Rxs	$ Volume	$ Margin
Keflex Caps 500mg	39	13	20
Nalfon Tabs 600mg	113	59	77
EATON			
Macrodantin Caps 50mg	120	113	86
ENDO LABS INC.			
Coumadin 5mg Tabs	144	189	154
Percodan Tabs	51	73	36
Percocet-5 Tabs	177	193	137
FLINT			
Synthroid Tabs 0.2mg	137	0	157
Synthroid Tabs 0.1mg	55	171	66
Synthroid Tabs 0.15mg	141	0	159
GEIGY			
Brethine Tabs 2.5mg	169	182	161
Lopressor Tabs 100mg	96	40	80
Lopressor Tabs 50mg	18	21	16
Tegretol Tabs 200mg	100	46	106
GENERIC			
Tetracycline Caps 250mg	181	0	0
Hydrochlorthiazide 50mg Tabs	91	118	111
GLAXO INC.			
U.D. Zantac Tabs 10mg	63	15	37
Ventolin Inhaler Refill	79	98	64
HOECHST-ROUSSELL			
Lasix Tabs 40mg	6	17	6
Lasix Tabs 20mg	42	114	54
IVES LABORATORIES			
Isordil Titradose 10mg	147	158	151
Synalgos DC Caps	66	126	53
KEY PHARMACEUTICALS			
Nitrodur Patch 10cm	0	74	165
Theo-Dur Tabs 200mg	53	68	48
Theo-Dur Tabs 300mg	40	42	0
KNOLL			
Vicodin Tabs	65	122	51
LEDERLE LABS			
Achromycin V Caps 250mg	54	0	58
Materna Tabs 1/60	155	190	158
Minocin Caps 50mg	0	135	0
Minocin Caps 100mg	0	110	0
LILLY, ELI & CO.			
Ceclor Pulvules 250mg	110	50	63
Ceclor Susp. 250mg/ 5ml 75ml	0	0	197
Ceclor Sups. 125mg/ 5ml 75ml	0	169	0
Darvocet-N 100mg Tabs	5	5	4
Darvon Compound Caps 65mg	123	172	94
Insulin Lente U100 CP410	0	102	0
Insulin NPH U100 10ml CP310	32	38	112
Phenobarbital Tabs 30mg	178	0	0
V-Cillin-K Tabs 250mg	140	0	144
MARION LABORATORIES INC.			
Carafate Tabs 1gm	0	149	0
Cardizem Tabs 60mg	0	132	0
Cardizem Tabs 30mg	0	161	0
Nitrobid Caps 6.5mg	0	144	0
Nitrobid Caps 2.5mg	0	181	0
Pavabid Caps 150mg Uni-Rx	0	180	0

	Number of Rxs	$ Volume	$ Margin
McNEIL PHARMACEUTICALS			
Parafon Forte Tabs	68	53	45
Tolectin DS Caps 400mg	109	39	12
Tylenol Tabs w/Codeine 60mg	64	92	50
Tylox Caps	187	0	145
Tylenol Tabs w/Codeine 30mg	2	16	2
MEAD JOHNSON PHARM.			
Desyrel Tabs 50mg	0	127	124
Duricef Caps 500mg	195	107	131
K-Lyte Tabs Orange	158	109	138
Klotrix Tabs 10meq.	154	0	153
MERRELL-NATIONAL			
Quinamm Tabs	200	0	0
Tenuate Dosepan 75mg	0	175	147
MERCK, SHARPE & DOHME			
Aldomet Tabs 250mg	10	9	17
Aldoril Tabs 25mg	56	36	69
Aldomet Tabs 500mg	98	35	93
Indocin Caps 25mg	37	26	43
Cogentin Tabs 2mg	126	0	0
Dolobid Tabs 500mg	0	70	90
Elavil Tabs 25mg	149	184	140
Flexeril Tabs 10mg	52	37	32
Hydrodiuril Tabs 50mg	44	61	118
Indocin Sr Caps 75mg	180	76	130
Clinoril Tabs 250mg	133	45	125
Clinoril Tabs 200mg	57	18	49
Timpotic 0.5% Ophth. Soln.	60	28	58
Triavil Tabs 2-25	159	96	167
Triavil Tabs 4-25	0	199	0
Moduretic Tabs 5/50	71	62	113
NORWICH-EATON			
Entex-La Tabs	106	197	98
ORTHO PHARMACEUTICAL			
Immodium Caps 2mg	186	188	164
Monistat-7 Vaginal Cream w/app.	27	32	22
Ortho Novum Tabs 1/35 28Dayref	47	66	0
Ortho Novum Tabs 1/35 21Dayref	47	66	0
Ortho Novum 1/35 21Dayref	61	90	0
Ortho Novum 10/11 21Day	199	0	0
Ortho Novum 10/11 28Day	118	154	0
Ortho Novum 1/50 21Dayref	0	54	0
Ortho Novum 1/50 28Dayref	67	91	0
PARKE DAVIS			
Ambenyl Expectorant	0	0	190
Amcill Caps 250mg	189	0	0
Benadryl Elixir	129	0	136
Benadryl Caps 50mg	95	0	100
Benadryl Caps 25mg	75	0	81
Centrax Caps 10mg	0	0	198
Dilantin Caps 100mg	11	27	28
Eryc Caps 250mg	93	142	78
Meclomen Caps 100mg	0	164	0
Nitrostat Tabs 0.4mg	80	0	152

Top 200 Ranked by Manufacturer

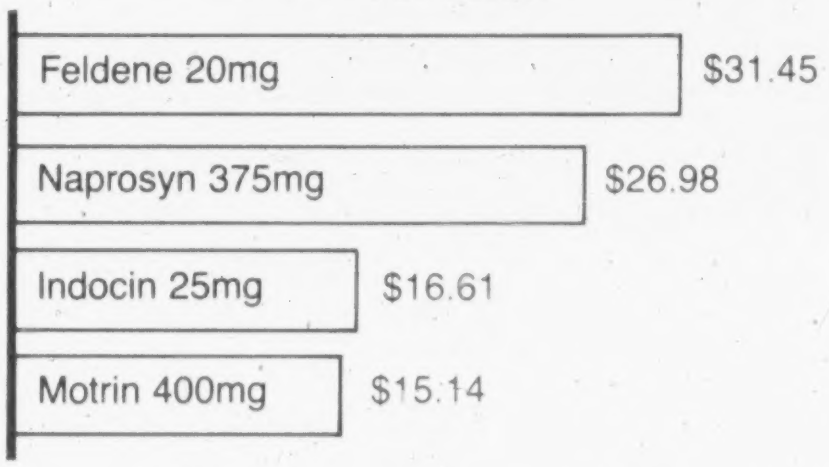
	Number Of Rxs	$ Volume	$ Margin
U.D. Procan Sr Tabs 500mg	0	103	192
PENNWALT			
Ionamine-30 Caps	190	177	135
PFIZER LABS			
Diabinese Tabs 250mg	17	6	27
Minipres Caps 5mg	0	156	0
Minipres Caps 2mg	163	94	142
Minipres Caps 1mg	81	77	79
Procardia Caps 10mg	29	10	21
U.D. Feldene 20mg Caps	19	3	9
Vibramycin Caps 100m	145	64	109
Vibratabs 100mg	151	71	114
REED & CARNRICK			
Kwell Shampoo 60ml	196	0	183
RIKER			
Norgesic Forte Tabs	150	0	133
Norgesic Tabs	172	0	0
ROCHE			
Accutane Caps 40mg	0	69	194
Bactrim DS Tabs 28pk.	31	33	26
Bactrim Pediatric susp.	173	0	160
Dalmane Caps 15mg	83	151	74
Dalmane Caps 30mg	26	47	22
Limbitrol 10/25 Caps	0	176	0
Librax Caps	72	67	83
Librium Caps 10mg	127	146	146
Valium Tabs 5mg	4	4	5
Valium Tabs 10mg	43	25	34
Valium Tabs 2mg	69	121	85
ROERIG, J. B. & CO.			
Antivert Tabs 12.5mg	165	0	175
Antivert Tabs 25mg	143	152	130
Atarax Tabs 25mg	170	143	150
SANDOZ			
Fiorinal Caps	0	0	185
Fiorinal Tabs w/Codeine 30mg	86	115	60
Fiorinal Tabs	74	134	61
Hydergine Oral Tabs 1mg	168	72	127
Mellaril Tabs 100mg	0	198	0
Mellaril Tabs 25mg	130	112	143
Mellaril Tabs 50mg	0	160	0
Parlodel Tabs 2.5mg	0	166	0
Tavist-D Tabs	131	0	199
SCHERING			
Lotrimin Cream 1% 90gm	119	170	107
Proventil Inhaler	89	101	75
Trinalin Tabs	102	130	84
Valisone Cream 0.1% 45gm	102	130	84
Vanceril Inhaler	0	196	0
SEARLE LABS			
Aldactazide Tabs	87	58	96
Aldactone Tabs 25mg	0	173	0
Calan Tabs 80mg	0	183	0
Demulin Triopak	153	159	0
Flagyl Tabs 250mg	0	167	0
Lomotil Tabs 2.5mg	73	95	56
Norpace Caps 100mg	0	155	0
Norpace Caps 150mg	0	148	0
SKF			
Combid Spansules	0	186	184
Dyazide Caps	1	2	1
Ornade Spansules	122	157	126
Tagamet Tabs 200mg	0	120	187
Tagamet Tabs 300mg	3	1	3
Tuss Orande Spansules	167	0	163
SQUIBB PHARMACEUTICAL			
Capoten Tabs 25mg	184	99	156
Corgard Tabs 40mg 28pk.	59	31	55
Corgard Tabs 80mg 28pk.	0	111	0
Mycolog Cream 5gm	128	125	122
Sumycin Caps 250mg	193	0	0
STUART PHARMACEUTICALS			
Nolvadex Tabs-10mg	0	82	0
Stuartnatal 1 + 1 Tabs	183	0	181
Tenormin Tabs 50mg	23	11	10
Tenormin Tabs 10mg	0	128	10
SYNTEX LABORATORIES			
Anaprox Tabs 275mg	112	80	73
Naprosyn Tabs 250mg	62	23	47
Naprosyn Tabs 375mg	49	20	30
Naprosyn Tabs 500mg	182	55	121
Norinyl 1/50 21 Day refill	0	133	0
Norinyl Tabs 1/50 21 ref	104	133	0
UPJOHN CO.			
E-Mycin Tabs 333mg	78	119	71
E-Mycin Tabs 250mg	84	139	91
Halcion Tabs 0.5mg	0	0	174
Orinase Tablets 500mg	134	117	179
Provera Tabs 10mg	107	128	87
Motrin Tabs 600mg	15	8	11
Motrin Tabs 400mg	13	12	13
Tolinase Tabs 250mg	114	51	118
Tolinase Tabs 500mg	0	163	0
Medrol 4mg 21 Day Dosepak	157	185	134
Xanax Tabs 0.5mg	94	78	11
Xanax Tabs 0.25	0	0	188
USV			
Hygroton Tabs 25mg	194	0	186
Hygroton Tabs 50mg	70	85	77
WALLACE			
Soma Tabs 350mg	0	191	189
WINTHROP			
Danocrine Caps 200mg	0	165	0
Talwin Nx Tabs	160	141	0
WYETH			
Ativan Tabs 1mg	25	24	18
Ativan Tabs 2mg	0	84	104
Equagesic Tabs	0	0	196
Lo-Ovral Tabs 21pk.	24	30	0
Nordette Tabs 21 Day pk.	179	0	0
Omnipen Caps 250mg	90	0	98
Omnipen Caps 500mg	105	194	108
Ovral Tabs 28 Day	142	174	0
Ovral Tabs 21 Day 3pk.	46	65	0
Pen Vee K Tabs 250mg	99	0	108
Pen Vee K 500mg	0	0	200
Phenergan Expt. w/Codeine	88	0	88
Phenergan VC Exp. w/Codeine	156	0	162
Serax Caps 15mg	0	179	177

Dispensing Profiles/Antiarthritics

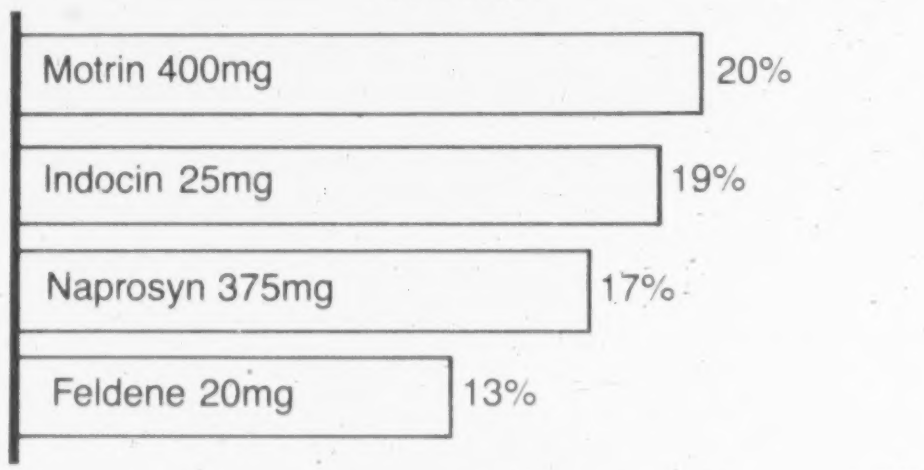
Feldene Caps 20mg U.D. Pfizer—Avg. Rx #28 $31.45 Avg. % Gross Margin 13%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	8.97	12.37	0.40	7.33	2.15	56.00	4.41	4.28	3.93	0.12	**100.00**
Avg. Refill % by Qty. Disp.	41.67	50.81	63.04	48.63	52.85	61.32	58.61	55.92	54.22	35.71	56.49
Average GM %	26.85	20.76	18.97	18.44	17.87	12.66	10.41	9.72	6.99	13.71	13.35
Contribution of Quantity to GM*	2.41	2.57	0.08	1.35	0.38	7.09	0.46	0.42	0.27	0.02	**13.36**

Average Retail Price Per Script



% Gross Margin Per Script



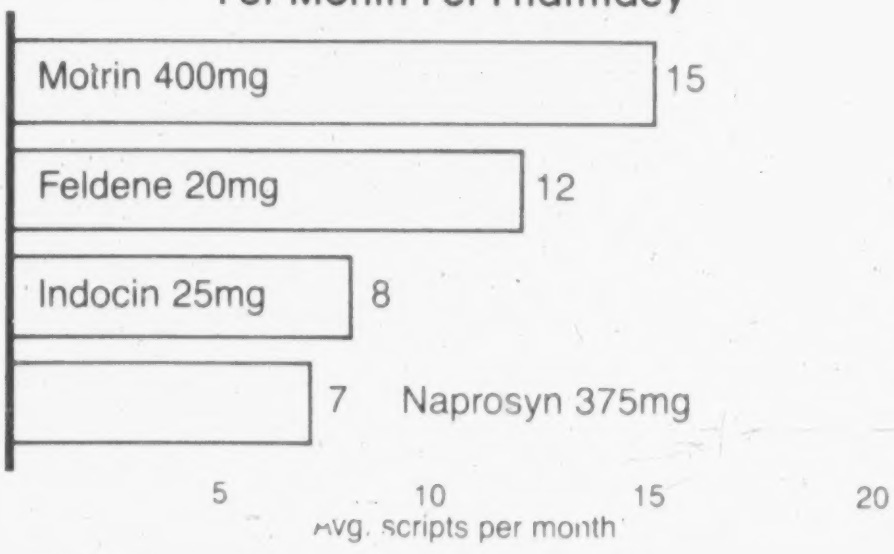
Flexeril 10mg Tabs MSD—Avg. Rx #32 $16.73 Avg. % Gross Margin 27%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	6.59	9.45	0.86	10.24	9.95	39.07	1.97	11.03	10.59	0.21	**100.00**
Avg. Refill % by Qty. Disp.	21.73	13.97	13.21	19.40	18.49	26.61	30.58	36.34	44.46	69.23	26.56
Average GM %	46.21	41.13	35.82	36.10	34.04	28.96	24.18	22.61	16.77	12.30	27.19
Contribution of Quantity to GM*	3.05	3.89	0.31	3.70	3.39	11.32	0.48	2.50	1.78	0.03	**27.20**

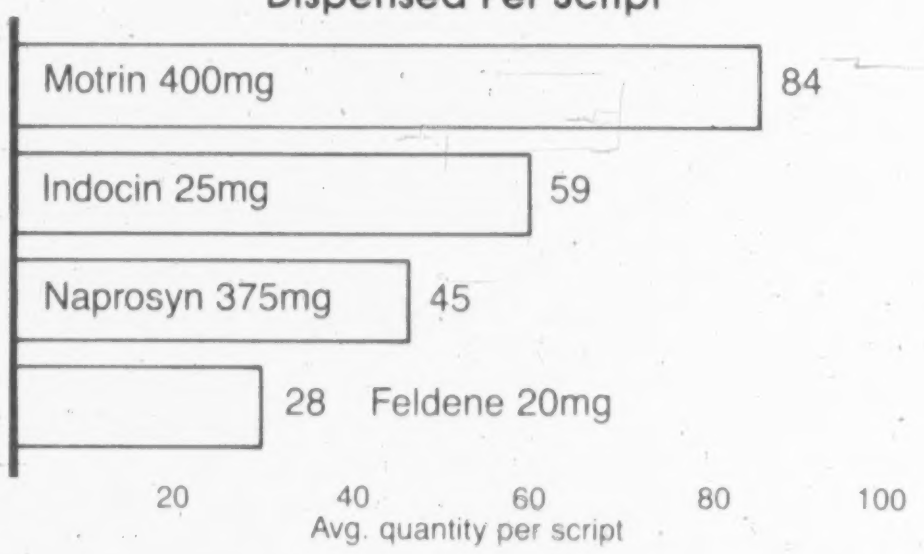
Indocin Caps 25mg MSD—Avg. Rx #59 $16.61 Avg. % Gross Margin 19%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	2.22	3.03	0.36	3.93	4.21	22.31	2.05	18.88	39.94	3.01	**100.00**
Avg. Refill % by Qty. Disp.	37.28	26.96	35.71	24.41	19.06	36.30	60.90	50.24	64.51	66.38	50.16
Average GM %	51.99	46.00	30.23	40.46	40.51	32.83	30.57	22.81	13.66	10.92	19.54
Contribution of Quantity to GM*	1.16	1.39	0.11	1.59	1.71	7.33	0.63	4.31	5.46	0.33	**19.54**

Average Scripts Per Month Per Pharmacy



Average Quantity Dispensed Per Script



Motrin Tabs 400mg Upjohn—Avg. Rx #84 $15.14 Avg. % Gross Margin 20%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	3.72	3.01	0.45	8.02	3.57	19.07	1.27	18.35	36.25	6.25	**100.00**
Avg. Refill % by Qty. Disp.	19.16	21.67	39.34	19.74	27.86	34.11	50.88	42.63	60.71	64.92	45.17
Average GM %	53.78	47.13	43.01	41.41	39.91	34.30	32.71	23.90	14.59	10.59	20.45
Contribution of Quantity to GM*	2.01	1.42	0.19	3.32	1.43	6.54	0.42	4.39	5.29	0.66	**20.45**

*This figure is calculated by multiplying the percentage of scripts dispensed by the average gross margin and dividing by 100.

Dispensing Profiles/Antihypertensives

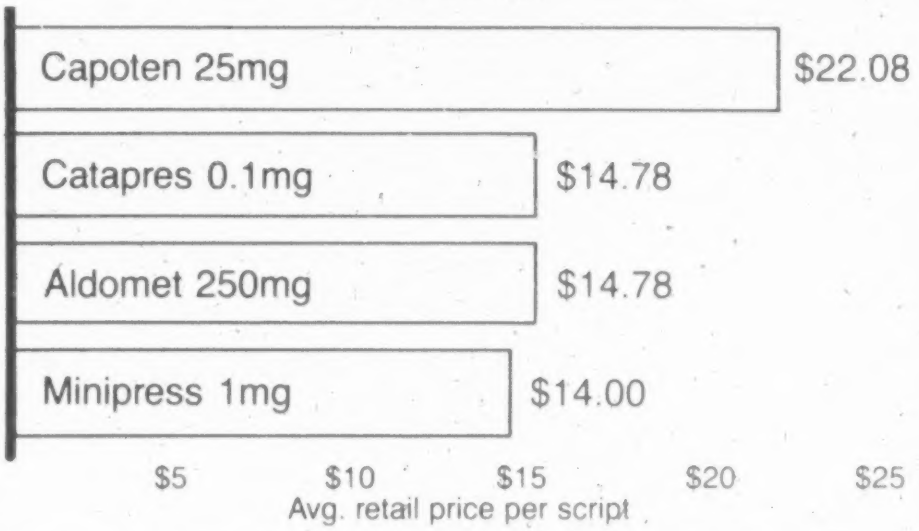
Aldomet Tabs 250mg MSD—Avg. Rx #82 $14.78 Avg. % Gross Margin 18%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.65	0.80	0.15	0.66	0.17	8.94	1.49	7.57	70.77	8.76	**100.00**
Avg. Refill % by Qty. Disp.	70.00	71.54	91.30	63.37	65.38	67.82	74.12	76.15	71.03	71.66	71.20
Average GM %	53.64	49.65	45.45	44.35	46.71	38.97	37.80	25.19	16.00	11.29	17.19
Contribution of Quantity to GM*	0.35	0.40	0.07	0.29	0.08	3.48	0.57	1.91	11.32	0.99	**17.20**

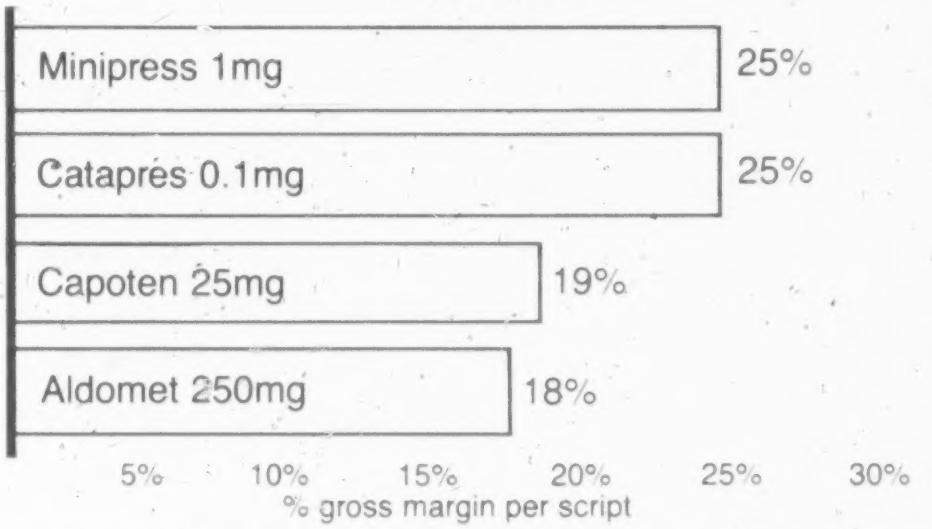
Capoten Tabs 25mg Squibb—Avg. Rx #68 $22.08 Avg. % Gross Margin 19%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.55	1.55	0.15	1.11	1.23	12.84	1.59	15.23	59.86	4.85	**100.00**
Avg. Refill % by Qty. Disp.	48.72	69.23	50.00	57.14	61.29	63.47	67.50	69.71	69.77	63.11	67.98
Average GM %	54.56	45.74	47.62	34.85	33.38	34.95	29.56	25.16	17.23	10.49	19.10
Contribution of Quantity to GM*	0.85	0.71	0.08	0.39	0.41	4.49	0.47	3.83	10.31	0.51	**19.10**

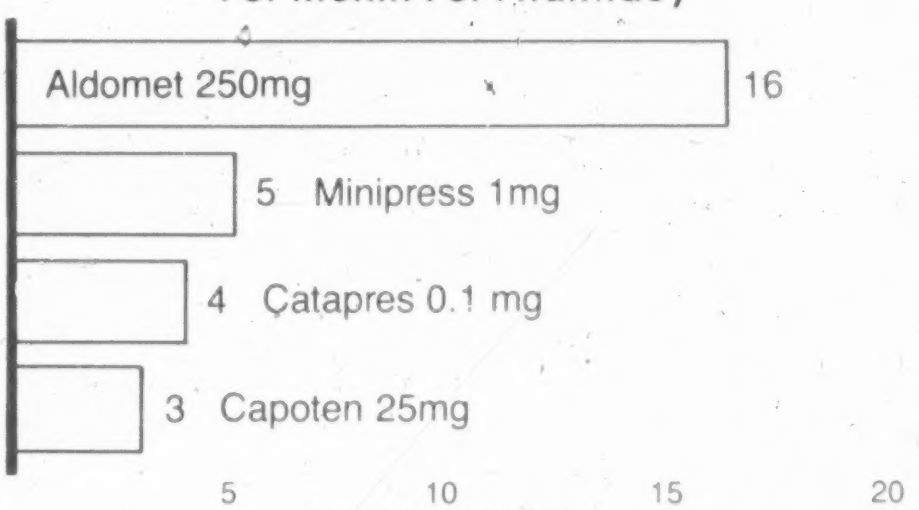
Average Retail Price Per Script



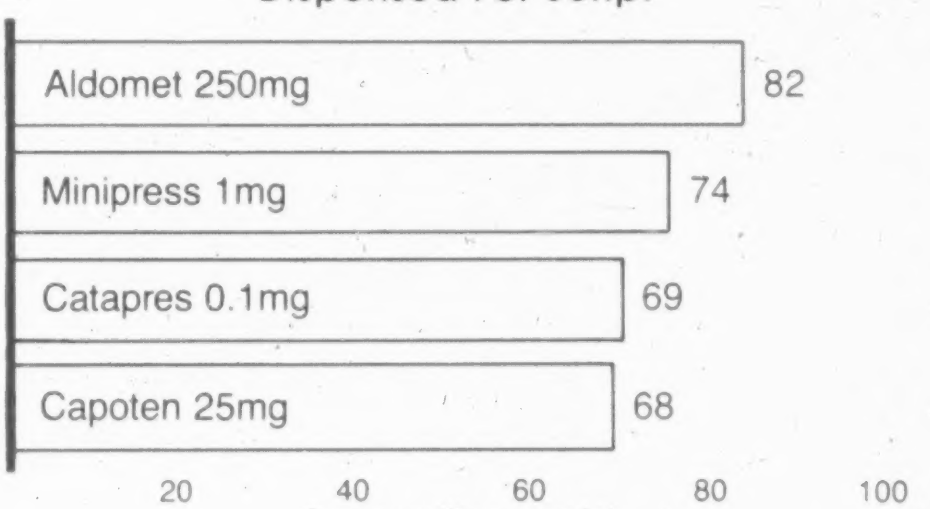
% Gross Margin Per Script



Average Scripts Per Month Per Pharmacy



Average Quantity Dispensed Per Script



Catapres Tabs 0.1mg Boehringer—Avg. Rx #69 $14.78 Avg. % Gross Margin 25%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.38	1.25	0.13	1.04	0.41	18.42	2.82	8.99	60.74	4.78	**100.00**
Avg. Refill % by Qty. Disp.	41.51	41.67	100.00	50.00	68.75	62.70	69.44	74.13	69.58	74.86	68.06
Average GM %	49.54	55.09	51.03	50.18	41.87	41.16	39.70	31.38	23.13	15.37	25.46
Contribution of Quantity to GM*	0.69	0.69	0.07	0.53	0.18	7.59	1.12	2.82	14.06	0.74	**25.47**

Minipress Caps 1mg Pfizer—Avg. Rx #74 $14.00 Avg. % Gross Margin 25%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.11	1.03	0.02	0.90	1.05	12.43	1.20	10.26	66.52	5.44	**100.00**
Avg. Refill % by Qty. Disp.	40.38	35.42	0.00	45.24	65.31	62.63	75.00	73.17	70.18	70.75	68.65
Average GM %	61.17	54.46	55.25	49.82	37.83	42.40	41.06	34.63	23.62	16.43	25.38
Contribution of Quantity to GM*	0.69	0.56	0.01	0.45	0.40	5.28	0.49	3.55	15.71	0.89	**25.39**

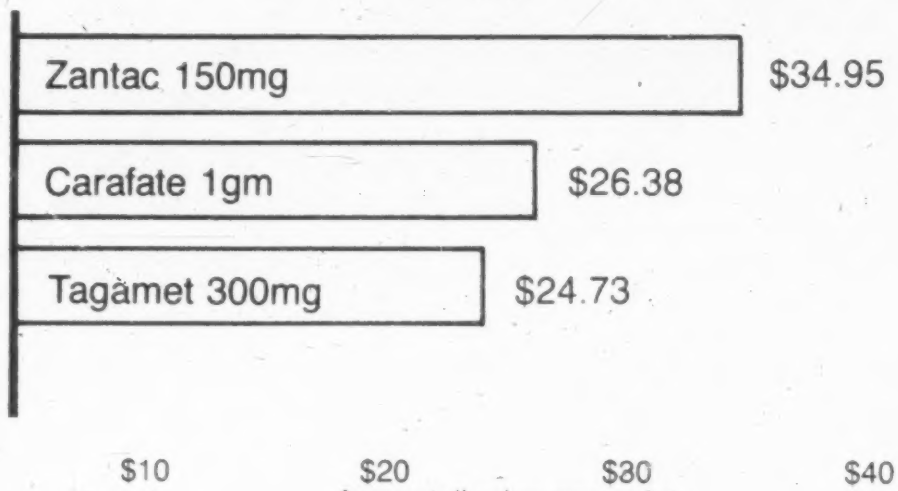
*This figure is calculated by multiplying the percentage of scripts dispensed by the average gross margin and dividing by 100.

Dispensing Profiles/Antiulcer Treatments

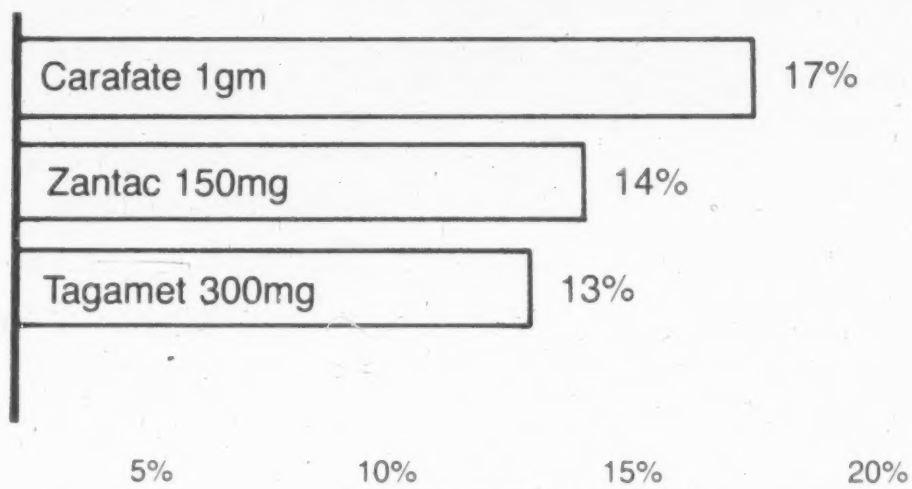
Carafate Tabs 1mg Marion—Avg. Rx #63 $26.38 Avg. % Gross Margin 17%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.35	0.83	0.38	1.80	0.64	10.28	1.15	19.87	51.83	11.83	**100.00**
Avg. Refill % by Qty. Disp.	47.62	76.92	100.00	60.71	70.00	56.88	55.56	56.31	53.35	53.80	54.92
Average GM %	38.76	35.15	40.10	41.63	37.99	31.08	30.17	23.42	15.70	11.78	17.23
Contribution of Quantity to GM*	0.52	0.30	0.16	0.75	0.24	3.20	0.35	4.65	8.14	1.39	**17.24**

Average Retail Price Per Script



% Gross Margin Per Script



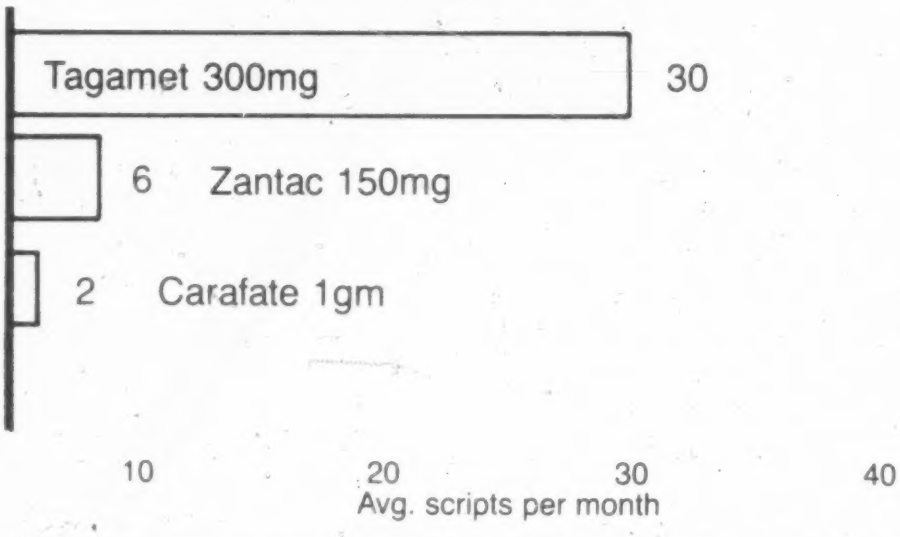
Tagamet Tabs 300mg SKF—Avg. Rx #72 $24.73 Avg. % Gross Margin 13%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.38	0.74	0.10	1.34	1.01	13.03	1.41	19.65	53.18	8.11	**100.00**
Avg. Refill % by Qty. Disp.	61.99	67.77	58.62	51.05	59.52	58.30	62.69	60.33	61.10	56.26	60.12
Average GM %	38.62	36.22	37.94	34.42	31.70	27.17	25.17	18.32	11.31	9.28	13.45
Contribution of Quantity to GM*	0.53	0.27	0.04	0.46	0.32	3.54	0.36	3.60	6.02	0.75	**13.46**

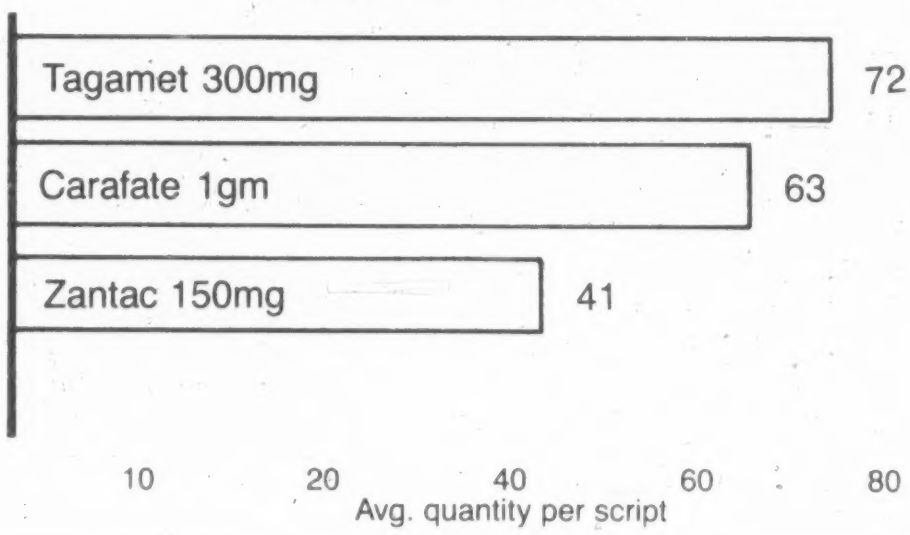
Zantac Tabs 150mg Glaxo—Avg. Rx #41 $34.95 Avg. % Gross Margin 14%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	4.02	7.15	0.35	8.06	1.92	29.78	1.13	11.39	35.92	0.23	**100.00**
Avg. Refill % by Qty. Disp.	45.98	44.72	45.00	34.74	44.86	38.56	46.03	32.02	30.97	46.15	35.77
Average GM %	32.61	26.36	24.29	21.49	21.24	17.60	16.65	13.42	10.51	7.63	13.90
Contribution of Quantity to GM*	1.31	1.88	0.09	1.73	0.41	5.24	0.19	1.53	3.78	0.02	**13.90**

Average Scripts Per Month Per Pharmacy



Average Quantity Dispensed Per Script



*This figure is calculated by multiplying the percentage of scripts dispensed by the average gross margin and dividing by 100.

Dispensing Profiles/Beta Adrenergic Blockers

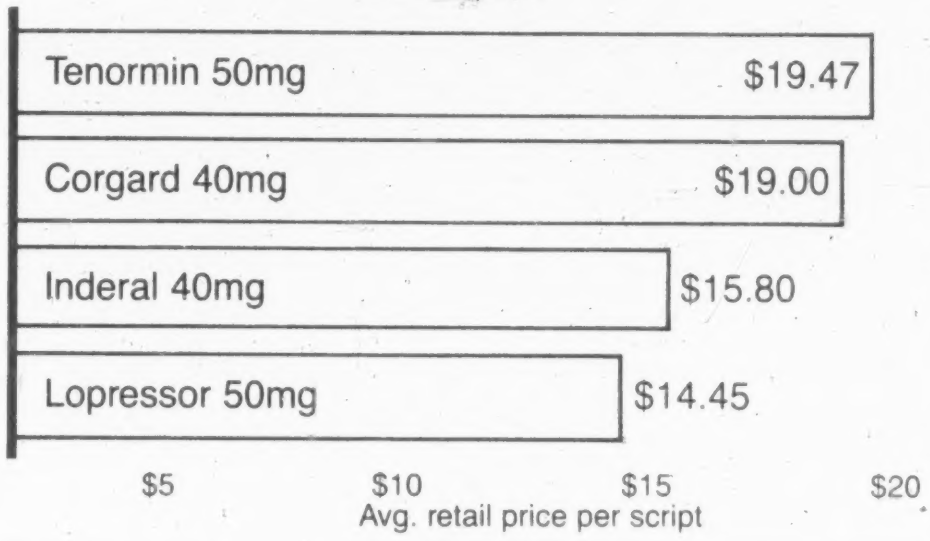
Corgard Tabs 40mg Squibb—Avg. Rx #49 $19.07 Avg. % Gross Margin 19%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	2.08	3.40	0.52	1.27	0.61	39.60	7.22	14.21	30.28	0.76	**100.00**
Avg. Refill % by Qty. Disp.	68.07	69.74	83.33	52 05	68.57	71.21	75.30	73.06	67.03	65.91	70.15
Average GM %	45.46	41.61	40.22	34.82	32.10	27.34	23.62	18.99	12.65	11.34	18.87
Contribution of Quantity to GM*	0.95	1.42	0.21	0.45	0.20	10.83	1.71	2.70	3.83	0.09	**18.88**

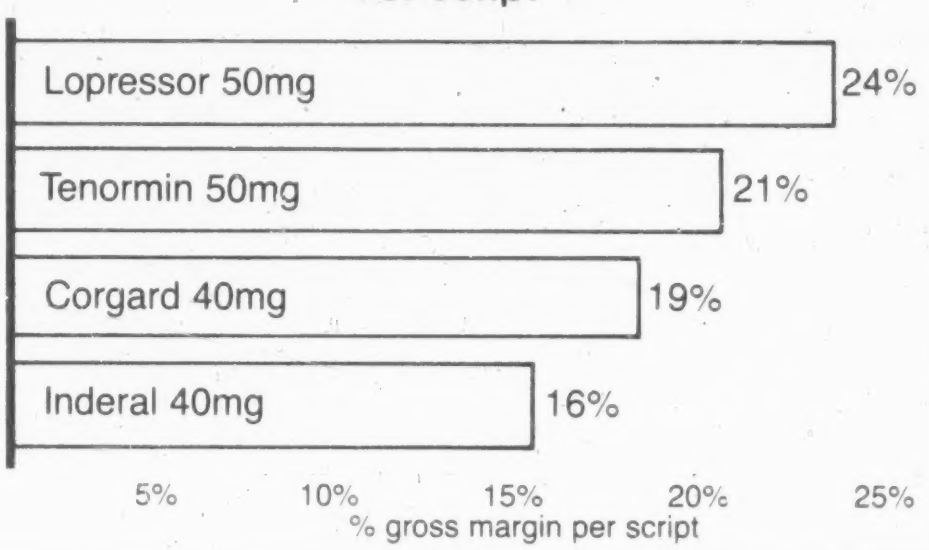
Inderal Tabs 40mg Ayerst—Avg. Rx #95 $15.80 Avg. % Gross Margin 16%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.72	0.59	0.09	0.51	0.36	3.58	0.41	6.68	71.42	15.59	**100.00**
Avg. Refill % by Qty. Disp.	69.37	69.23	71.43	62.03	78.57	68.12	78.13	75.49	77.87	76.46	76.94
Average GM %	51.98	48.67	38.39	49.72	41.00	39.20	38.73	25.49	15.53	11.05	15.39
Contribution of Quantity to GM*	0.38	0.29	0.03	0.26	0.15	1.41	0.16	1.71	11.09	1.72	**15.39**

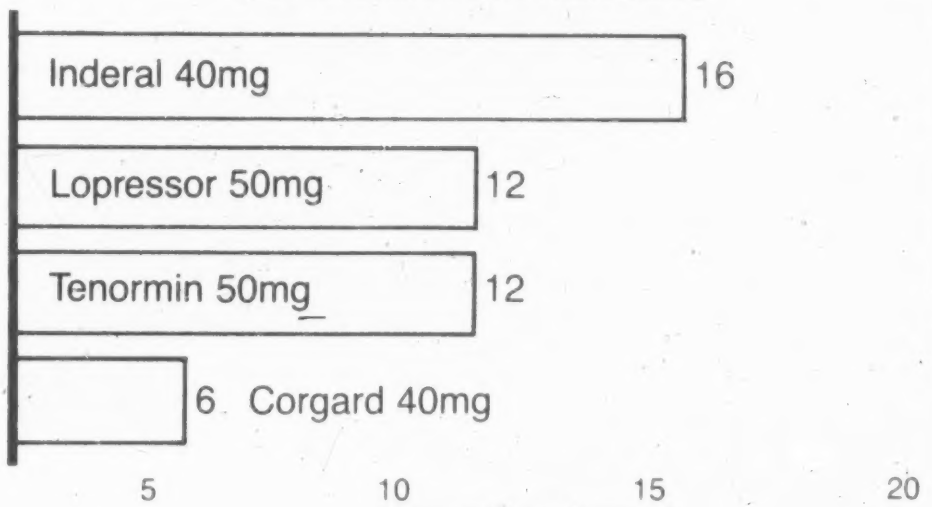
Average Retail Price Per Script



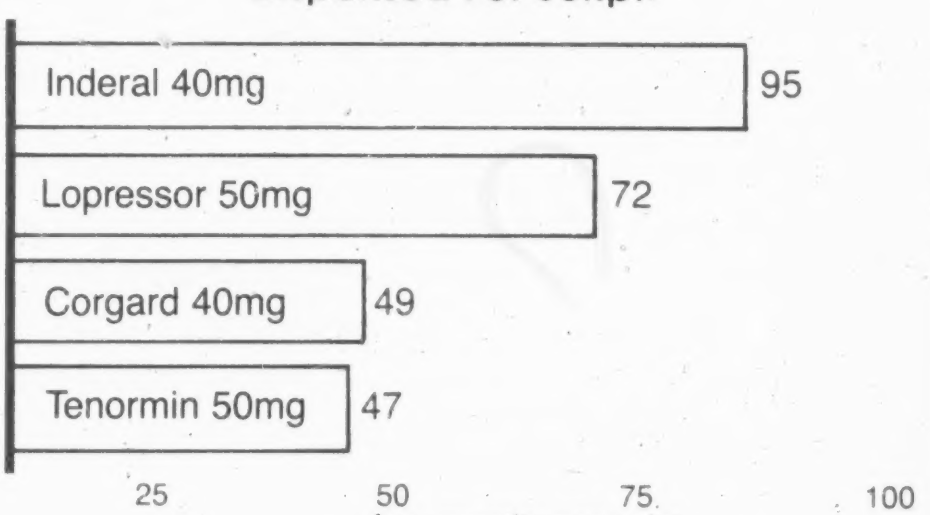
% Gross Margin Per Script



Average Scripts Per Month Per Pharmacy



Average Quantity Dispensed Per Script



Lopressor Tabs 50mg Geigy—Avg. Rx #72 $14.45 Avg. % Gross Margin 24%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.72	0.93	0.21	0.68	0.31	13.70	1.89	10.09	67.26	4.17	**100.00**
Avg. Refill % by Qty. Disp.	69.23	63.37	86.96	67.57	76.47	70.57	67.16	75.57	75.62	73.11	74.47
Average GM %	50.83	52.71	48.62	48.12	45.25	41.04	39.83	31.95	22.16	15.88	24.18
Contribution of Quantity to GM*	0.37	0.50	0.10	0.33	0.14	5.62	0.75	3.22	14.91	0.66	**24.19**

Tenormin Tabs 50mg Stuart—Avg. Rx #47 $19.44 Avg. % Gross Margin 21%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	2.02	2.55	0.22	1.32	0.33	44.04	7.66	14.78	26.55	0.48	**100.00**
Avg. Refill % by Qty. Disp.	63.18	63.31	75.00	59.72	77.78	71.37	74.55	72.93	63.76	67.92	69.31
Average GM %	45.99	41.72	39.12	35.71	34.31	28.34	24.10	21.20	15.14	13.69	21.29
Contribution of Quantity to GM*	0.93	1.07	0.09	0.47	0.11	12.49	1.85	3.14	4.02	0.07	**21.30**

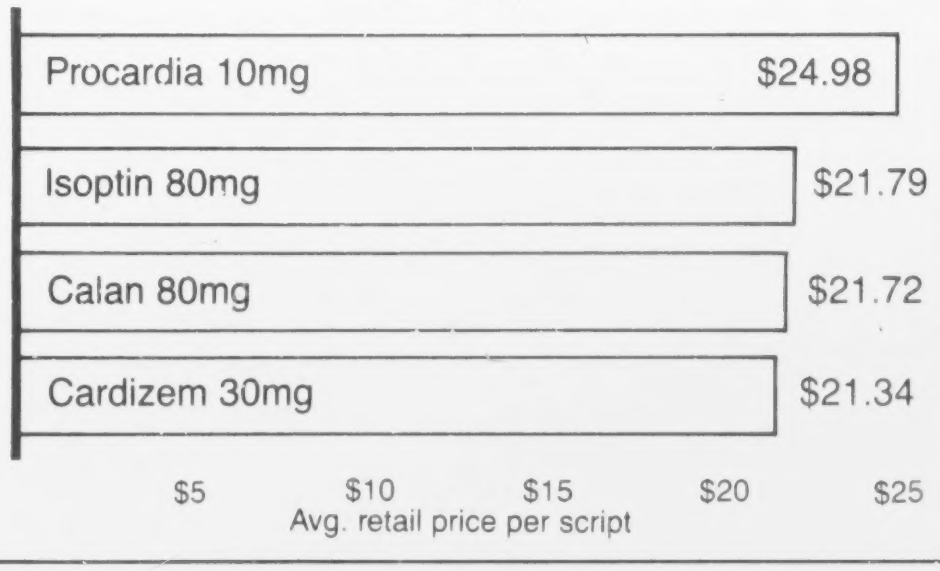
*This figure is calculated by multiplying the percentage of scripts dispensed by the average gross margin and dividing by 100.

Dispensing Profiles/Calcium Channel Blockers

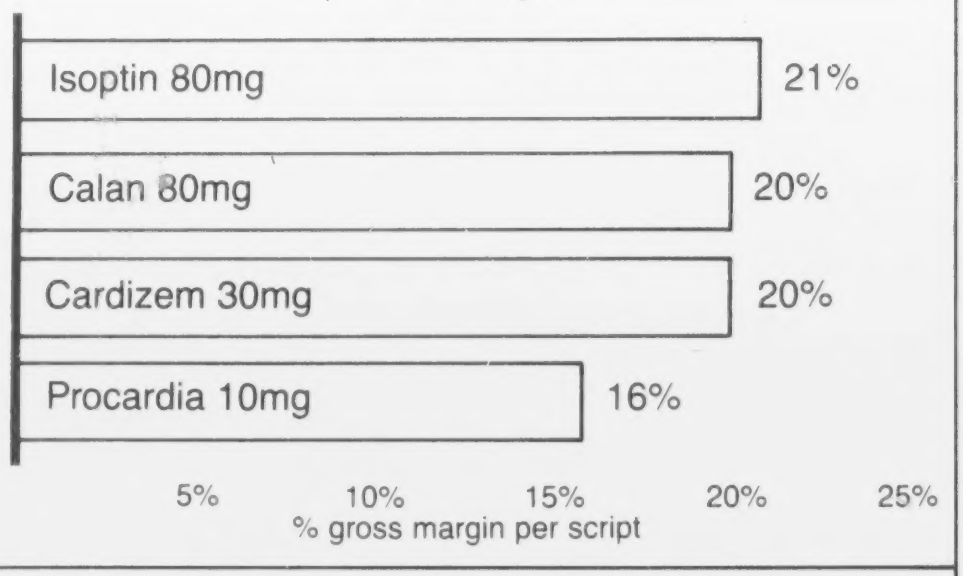
Calan Tabs 80mg Searle—Avg. Rx #91 $21.72 Avg. % Gross Margin 20%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	0.44	0.44	0.19	0.57	0.95	5.75	0.95	9.39	74.93	6.32	**100.00**
Avg. Refill % by Qty. Disp.	28.57	57.14	100.00	77.78	73.33	61.11	80.00	68.71	73.04	63.64	71.23
Average GM %	54.21	43.62	47.11	46.40	39.10	36.22	35.04	29.17	19.45	13.58	20.09
Contribution of Quantity to GM*	0.24	0.20	0.09	0.27	0.38	2.08	0.34	2.74	14.58	0.86	**20.09**

Average Retail Price Per Script



% Gross Margin Per Script



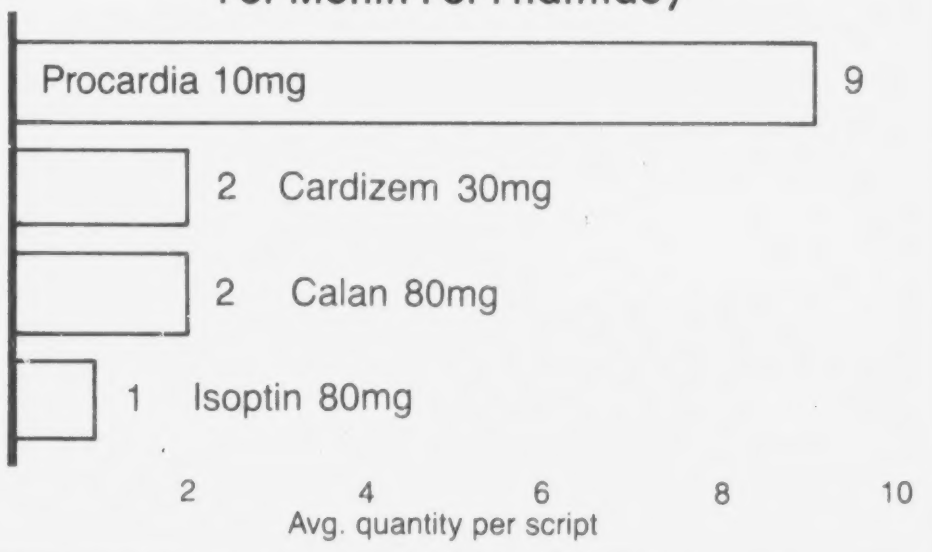
Cardizem Tabs 30mg Marion—Avg. Rx #93 $21.34 Avg. % Gross Margin 20%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	1.08	0.43	0.00	0.64	0.37	6.55	0.43	9.69	69.24	11.53	**100.00**
Avg. Refill % by Qty. Disp.	40.00	0.00	0.00	41.67	57.14	56.20	37.50	67.04	65.05	63.38	63.62
Average GM %	42.92	56.09	0.00	47.95	44.57	37.84	35.80	28.51	19.37	14.56	19.92
Contribution of Quantity to GM*	0.46	0.24	0.00	0.31	0.17	2.48	0.15	2.76	13.41	1.68	**19.93**

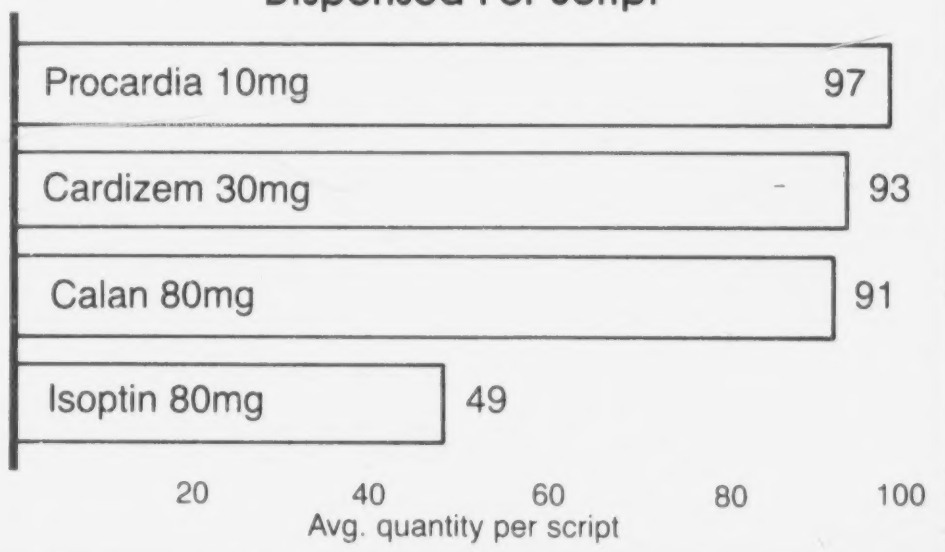
Isoptin Tabs 80mg Knoll—Avg. Rx #49 $21.79 Avg. % Gross Margin 21%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	0.25	0.43	0.25	0.77	0.77	4.81	0.60	10.92	75.47	5.67	**100.00**
Avg. Refill % by Qty. Disp.	66.67	100.00	33.33	44.44	66.67	64.29	85.71	77.95	72.41	78.79	72.81
Average GM %	36.51	41.13	58.27	51.79	42.80	37.05	35.99	30.13	20.13	14.63	20.99
Contribution of Quantity to GM*	0.09	0.18	0.15	0.40	0.33	1.79	0.22	3.29	15.20	0.83	**20.99**

Average Scripts Per Month Per Pharmacy



Average Quantity Dispensed Per Script



Procardia Caps 10mg Pfizer—Avg. Rx #97 $24.98 Avg. % Gross Margin 16%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	0.53	0.48	0.06	0.36	0.38	4.17	0.37	8.38	73.01	12.20	**100.00**
Avg. Refill % by Qty. Disp.	64.58	65.91	66.67	51.52	28.57	61.64	61.76	70.62	74.39	71.04	72.73
Average GM %	50.69	43.56	45.61	45.44	36.80	35.37	30.90	26.95	15.93	10.49	15.80
Contribution of Quantity to GM*	0.27	0.21	0.03	0.16	0.14	1.48	0.12	2.26	11.64	1.28	**15.81**

*This figure is calculated by multiplying the percentage of scripts dispensed by the average gross margin and dividing by 100.

Dispensing Profiles/Codeine Containing Analgesics

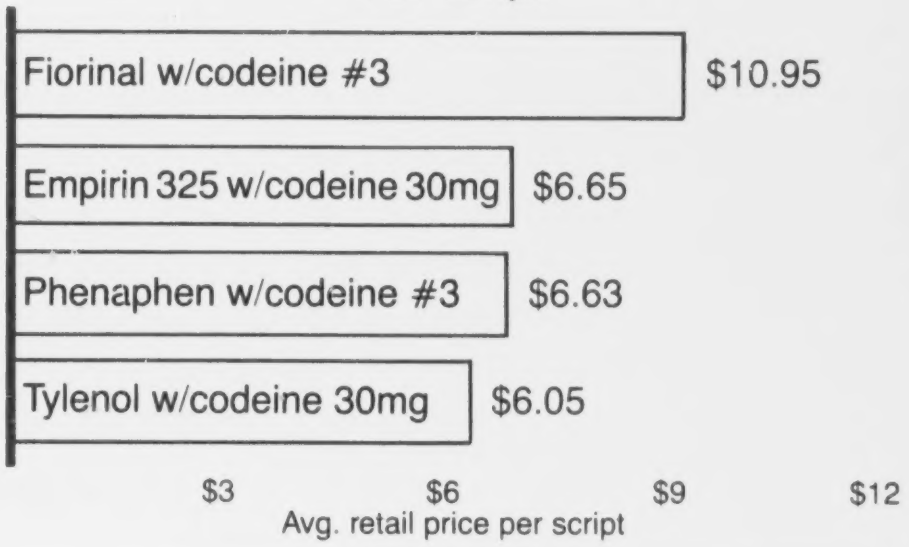
Empirin 325mg w/Codeine 30mg BW—Avg. Rx #27 $6.65 Avg. % Gross Margin 53%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	20.66	9.53	2.48	15.11	6.40	24.88	2.20	10.04	7.99	0.66	**100.00**
Avg. Refill % by Qty. Disp.	7.82	10.09	12.92	13.46	19.35	33.54	31.65	44.11	56.27	45.83	24.45
Average GM %	73.01	66.74	63.59	62.04	57.97	53.52	50.96	43.84	31.59	19.38	52.84
Contribution of Quantity to GM*	15.09	6.36	1.58	9.38	3.72	13.32	1.12	4.41	2.53	0.13	**52.84**

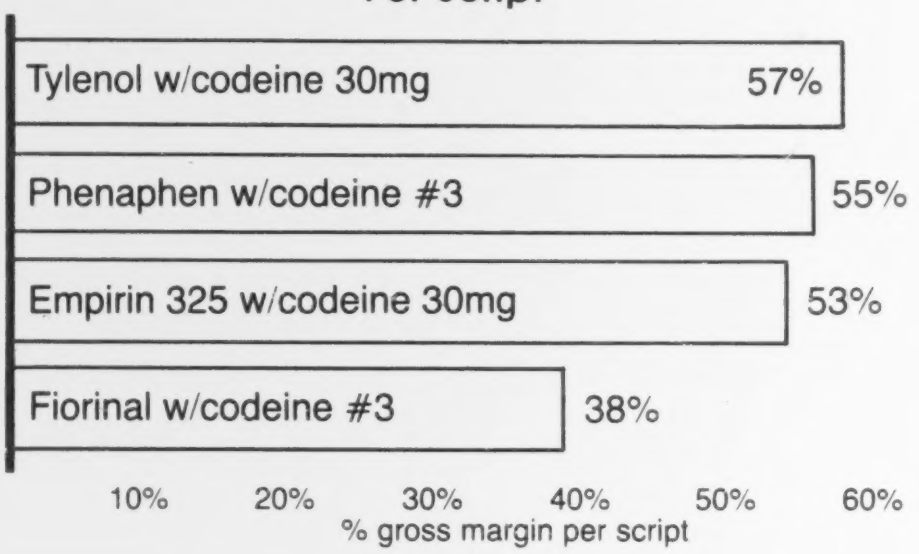
Fiorinal w/Codeine #3 Sandoz—Avg. Rx #30 $10.95 Avg. % Gross Margin 38%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	16.77	10.13	2.37	15.31	8.22	23.52	3.54	12.55	7.20	0.34	**100.00**
Avg. Refill % by Qty. Disp.	15.95	15.67	20.18	23.58	28.31	33.58	39.26	43.85	44.41	25.00	28.76
Average GM %	57.31	51.46	48.40	45.85	43.92	39.07	34.56	30.49	21.09	18.96	38.09
Contribution of Quantity to GM*	9.62	5.22	1.15	7.03	3.61	9.19	1.23	3.83	1.52	0.07	**38.10**

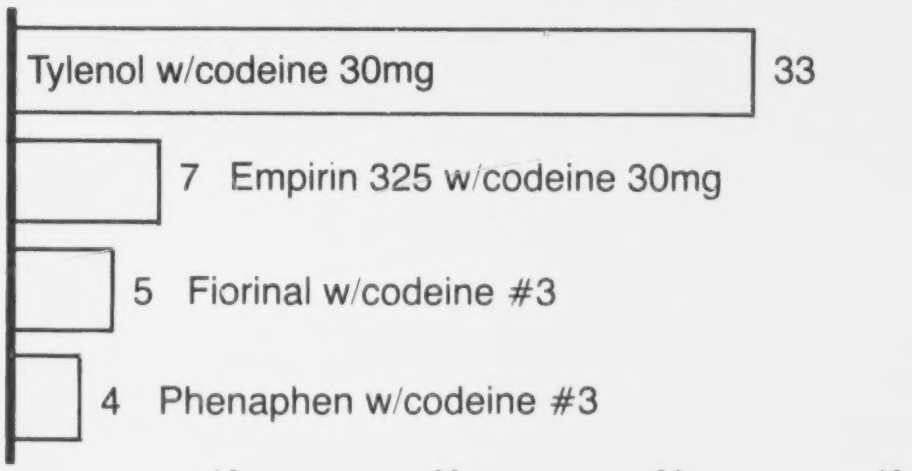
Average Retail Price Per Script



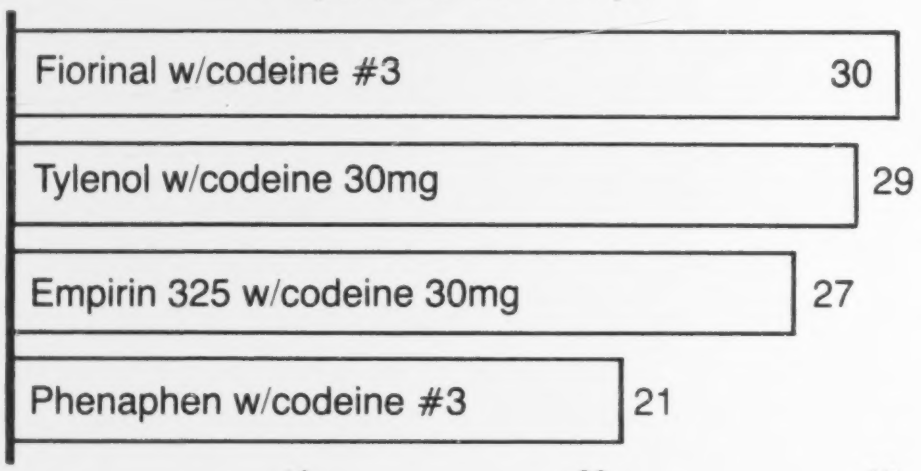
% Gross Margin Per Script



Average Scripts Per Month Per Pharmacy



Average Quantity Dispensed Per Script



Phenaphen w/Codeine Robins—Avg. Rx #21 $6.63 Avg. % Gross Margin 55%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	27.13	12.84	2.91	13.40	7.24	17.50	2.94	9.34	6.30	0.35	**100.00**
Avg. Refill % by Qty. Disp.	6.41	8.49	15.15	13.85	21.95	25.42	38.00	40.38	48.60	75.00	19.39
Average GM %	72.37	67.01	62.59	61.60	57.98	53.19	50.14	43.19	31.45	28.50	55.11
Contribution of Quantity to GM*	19.64	8.61	1.83	8.26	4.20	9.31	1.48	4.03	1.98	0.10	**55.12**

Tylenol w/Codeine Tabs 30mg McNeil—Avg. Rx #29 $6.05 Avg. % Gross Margin 57%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	18.07	10.83	2.06	17.65	6.26	24.95	2.14	10.47	7.10	0.41	**100.00**
Avg. Refill % by Qty. Disp.	6.83	9.80	14.29	12.34	21.55	26.24	33.93	40.18	48.98	48.44	21.25
Average GM %	75.60	69.73	66.74	64.46	61.47	56.71	53.31	47.53	34.83	25.01	56.91
Contribution of Quantity to GM*	13.67	7.55	1.38	11.38	3.85	14.16	1.15	4.98	2.48	0.10	**56.92**

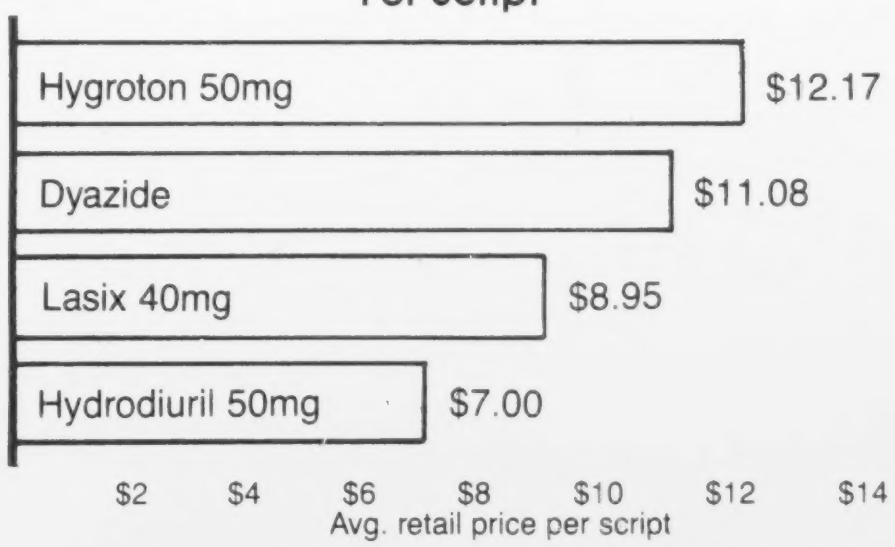
*This figure is calculated by multiplying the percentage of scripts dispensed by the average gross margin and dividing by 100.

Dispensing Profiles/Diuretics

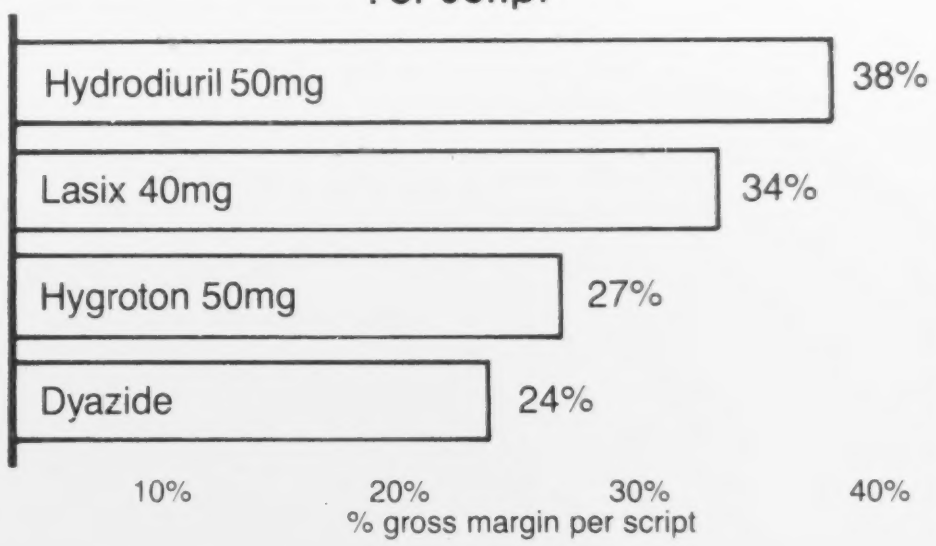
Dyazide Caps SKF—Avg. Rx #60 $11.08 Avg. % Gross Margin 24%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	1.16	1.55	0.15	1.02	0.56	30.44	5.05	10.87	47.16	1.98	**100.00**
Avg. Refill % by Qty. Disp.	53.07	64.20	76.71	53.91	66.15	68.94	74.28	74.24	70.93	70.21	70.33
Average GM %	62.18	54.92	52.80	48.59	46.99	40.74	40.40	27.80	17.09	11.69	23.96
Contribution of Quantity to GM*	0.73	0.85	0.08	0.50	0.26	12.41	2.04	3.03	8.06	0.23	**23.97**

Average Retail Price Per Script



% Gross Margin Per Script



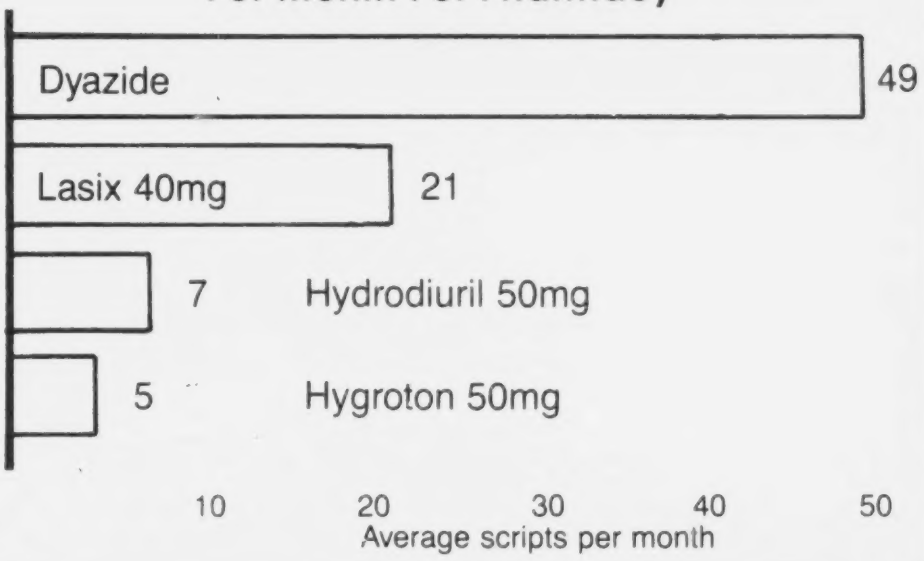
Hydrodiuril Tabs 50mg MSD—Avg. Rx #58 $7.00 Avg. % Gross Margin 38%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	1.13	1.05	0.24	1.36	0.87	31.58	5.37	13.93	43.12	1.30	**100.00**
Avg. Refill % by Qty. Disp.	50.00	66.67	75.00	62.92	78.95	72.89	80.34	77.03	72.65	65.88	73.27
Average GM %	74.15	68.53	64.40	61.43	59.86	54.78	54.02	41.59	28.28	20.91	37.57
Contribution of Quantity to GM*	0.84	0.73	0.16	0.84	0.52	17.31	2.91	5.80	12.19	0.27	**37.58**

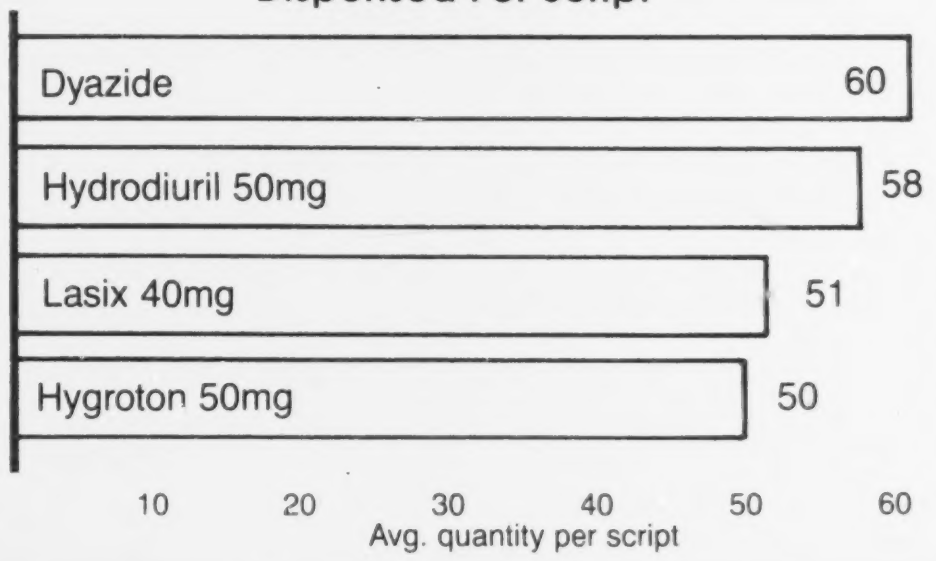
Hygroton Tabs 50mg USV—Avg. Rx #50 $12.17 Avg. % Gross Margin 27%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	3.23	2.23	0.25	1.77	0.39	38.88	6.89	14.79	30.88	0.65	**100.00**
Avg. Refill % by Qty. Disp.	65.85	70.80	53.85	64.44	90.00	71.51	79.08	79.44	68.80	54.55	71.96
Average GM %	61.78	51.39	53.05	46.75	43.19	37.36	35.25	27.39	17.61	10.45	26.40
Contribution of Quantity to GM*	2.00	1.15	0.14	0.83	0.17	14.53	2.43	4.05	5.44	0.07	**26.41**

Average Scripts Per Month Per Pharmacy



Average Quantity Dispensed Per Script



Lasix Tabs 40mg Hoechst—Avg. Rx #51 $8.95 Avg. % Gross Margin 34%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	2.36	3.15	0.29	2.22	1.34	37.71	4.51	12.28	34.25	1.83	**100.00**
Avg. Refill % by Qty. Disp.	45.45	55.54	72.88	58.30	62.45	65.43	69.14	70.64	69.33	77.38	66.83
Average GM %	68.90	60.21	59.26	55.93	52.94	46.41	45.99	35.37	23.88	17.82	33.53
Contribution of Quantity to GM*	1.63	1.90	0.17	1.25	0.71	17.51	2.08	4.35	8.18	0.33	**33.54**

*This figure is calculated by multiplying the percentage of scripts dispensed by the average gross margin and dividing by 100.

Dispensing Profiles/Minor Tranquilizers

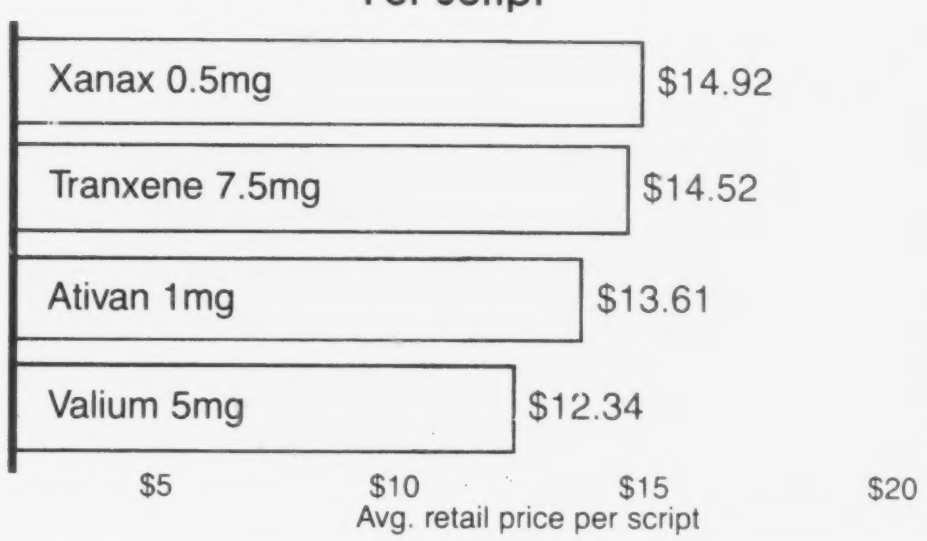
Ativan Tabs 1mg Wyeth—Avg. Rx #50 $13.61 Avg. % Gross Margin 29%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	3.07	2.98	0.16	4.33	2.50	30.53	2.51	20.75	31.85	1.27	**100.00**
Avg. Refill % by Qty. Disp.	32.57	40.00	37.50	29.37	37.50	47.20	48.59	52.78	52.10	56.35	48.37
Average GM %	58.43	51.25	49.21	47.81	45.07	39.10	36.98	30.41	21.01	14.49	28.76
Contribution of Quantity to GM*	1.79	1.53	0.08	2.08	1.13	11.94	0.93	6.31	6.69	0.18	**28.76**

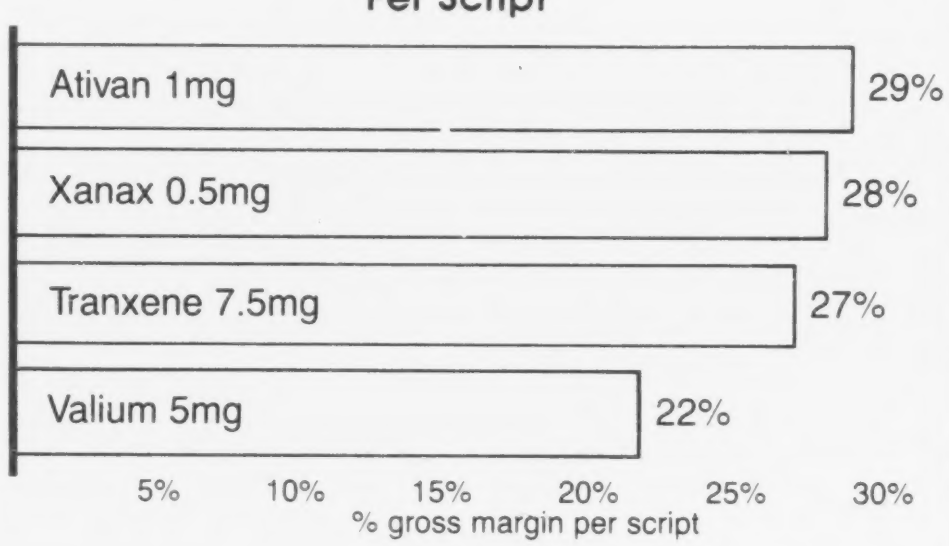
Mellaril Tabs 25mg Sandoz—Avg. Rx #66 $14.59 Avg. % Gross Margin 22%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	3.08	1.86	0.17	0.99	2.79	19.72	2.33	10.31	48.57	10.13	**100.00**
Avg. Refill % by Qty. Disp.	37.74	43.75	33.33	44.12	62.50	58.20	68.75	62.15	61.97	56.90	59.59
Average GM %	58.22	42.73	33.70	52.95	36.03	37.19	34.80	28.51	19.84	13.06	22.16
Contribution of Quantity to GM*	1.80	0.80	0.06	0.52	1.01	7.34	0.81	2.94	9.64	1.33	**22.16**

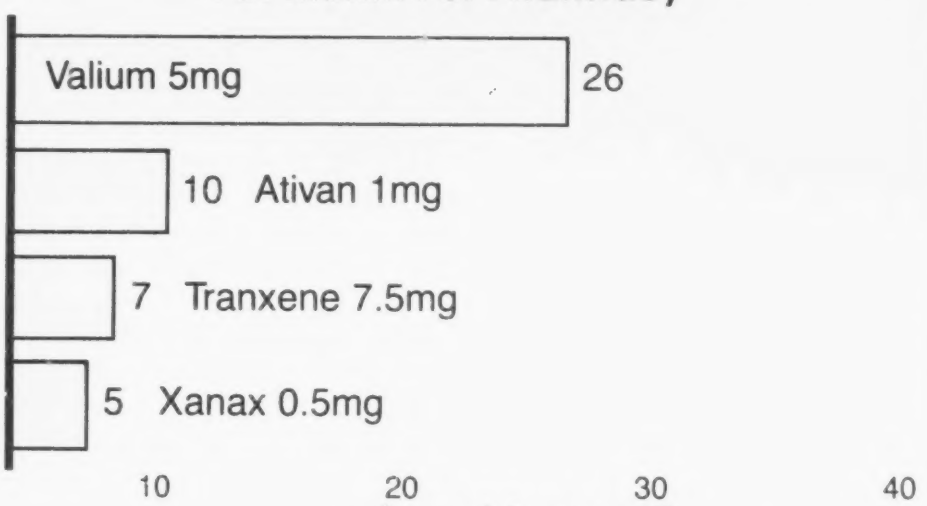
Average Retail Price Per Script



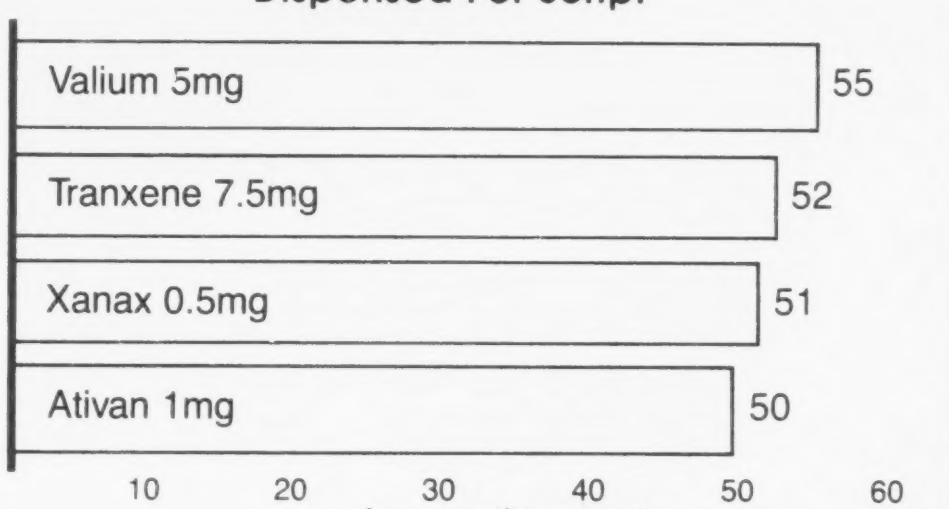
% Gross Margin Per Script



Average Scripts Per Month Per Pharmacy



Average Quantity Dispensed Per Script



Tranxene Caps 7.5mg Abbott—Avg. Rx #52 $14.54 Avg. % Gross Margin 27%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	2.54	2.39	0.18	3.94	2.53	28.29	3.01	21.14	34.32	1.60	**100.00**
Avg. Refill % by Qty. Disp.	31.10	40.91	41.67	32.28	41.72	47.34	52.06	50.84	53.78	56.31	49.26
Average GM %	58.58	50.95	52.50	46.29	45.09	38.14	36.64	28.89	19.60	15.07	26.91
Contribution of Quantity to GM*	1.49	1.22	0.10	1.83	1.14	10.79	1.10	6.11	6.73	0.24	**26.91**

Valium Tabs 5mg Roche—Avg. Rx #55 $12.34 Avg. % Gross Margin 22%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	3.40	1.94	0.18	4.41	2.36	25.15	2.61	22.85	35.24	1.81	**100.00**
Avg. Refill % by Qty. Disp.	20.55	27.02	46.81	26.27	37.54	42.79	48.73	49.36	52.24	58.35	46.15
Average GM %	60.12	50.37	45.11	44.45	42.43	34.94	33.00	24.62	14.56	11.55	22.17
Contribution of Quantity to GM*	2.04	0.98	0.08	1.96	1.00	8.79	0.86	5.63	5.14	0.21	**22.18**

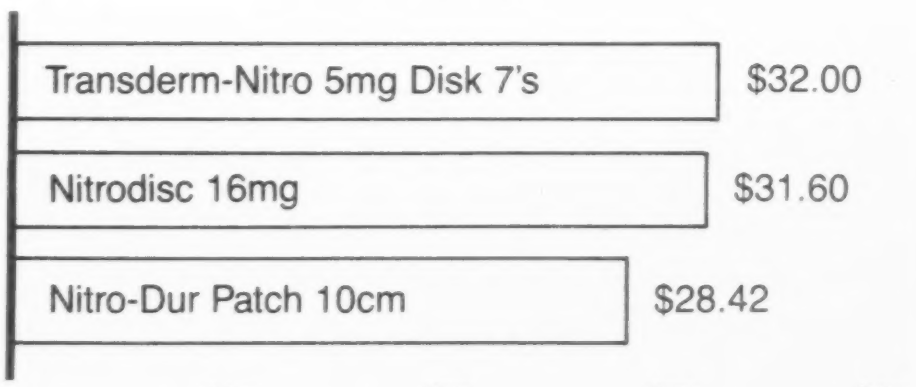
*This figure is calculated by multiplying the percentage of scripts dispensed by the average gross margin and dividing by 100.

Dispensing Profiles/Nitroglycerine Patches

Nitro-Dur Patch 10cm Key Pharmaceutical—$28.42 Avg. % Gross Margin 15%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	2.31	1.83	0.00	0.13	0.04	93.53	0.30	0.08	1.57	0.17	**100.00**
Avg. Refill % by Qty. Disp.	54.72	54.76	0.00	33.33	0.00	66.99	71.43	100.00	50.00	0.00	66.07
Average GM %	55.91	27.51	0.00	16.88	0.00	15.08	15.98	6.21	11.33	12.68	15.55
Contribution of Quantity to GM*	1.29	0.50	0.00	0.02	0.00	14.11	0.05	0.01	0.18	0.02	**15.55**

Average Retail Price Per Script



% Gross Margin Per Script

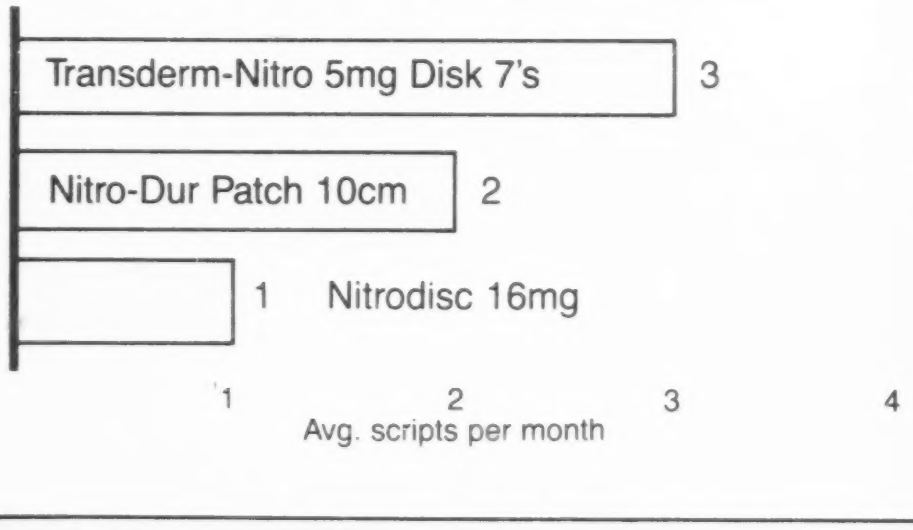
Nitrodisc 16mg Searle—$31.60 Avg. % Gross Margin 15%

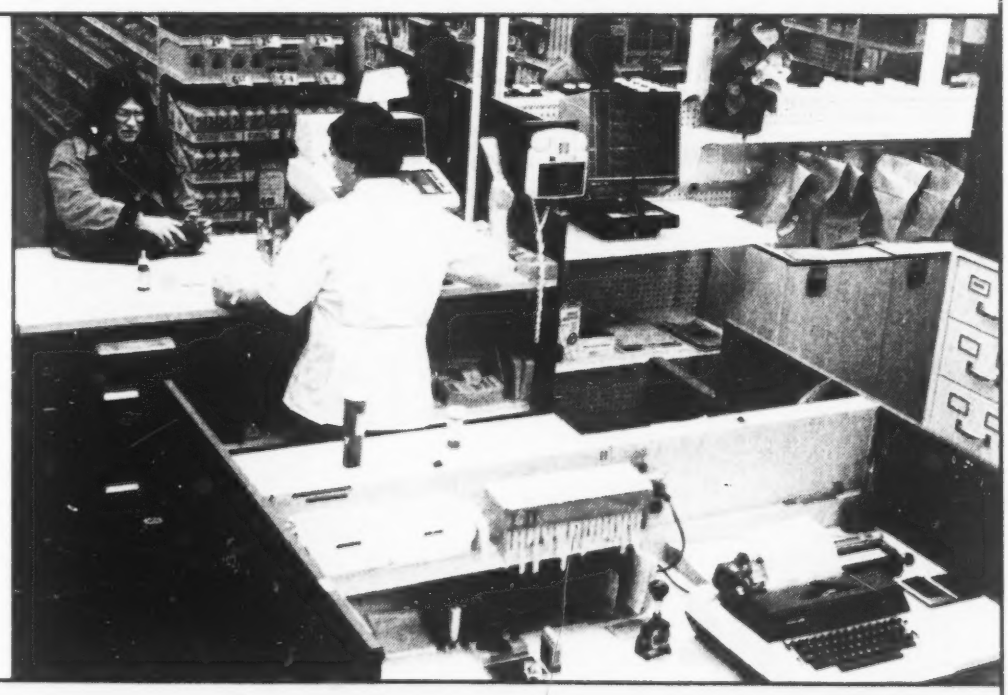
Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	1.96	1.78	0.00	0.00	0.00	95.00	0.00	0.00	1.06	0.17	**100.00**
Avg. Refill % by Qty. Disp.	63.64	60.00	0.00	0.00	0.00	67.54	0.00	0.00	83.33	0.00	67.38
Average GM %	28.85	19.88	0.00	0.00	0.00	15.45	0.00	0.00	12.36	25.82	15.58
Contribution of Quantity to GM*	0.57	0.35	0.00	0.00	0.00	14.68	0.00	0.00	0.13	0.05	**15.58**

Transderm-Nitro 5mg Disk 30 Ciba—7's $32.00 Avg. % Gross Margin 14%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of ℞ Dispensed	2.64	1.95	0.21	0.47	0.14	92.17	0.36	0.10	1.81	0.10	**100.00**
Avg. Refill % by Qty. Disp.	63.01	59.26	50.00	23.08	50.00	64.81	50.00	33.33	64.00	100.00	64.34
Average GM %	31.46	23.59	21.39	23.39	15.96	14.18	13.13	15.80	10.29	43.53	14.39
Contribution of Quantity to GM*	0.83	0.46	0.05	0.11	0.02	13.07	0.05	0.02	0.19	0.05	**14.39**

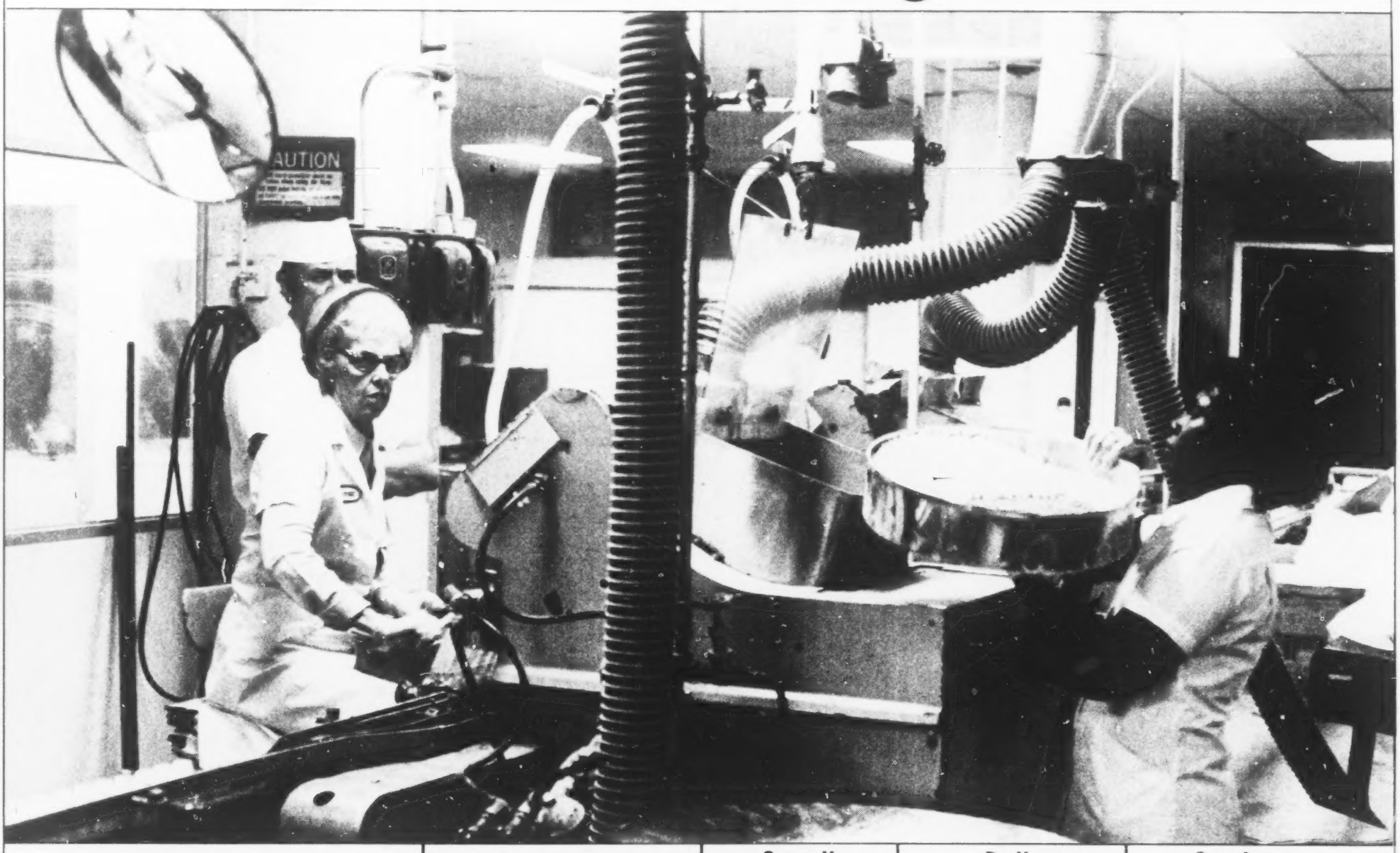
Average Scripts Per Month Per Pharmacy





*This figure is calculated by multiplying the percentage of scripts dispensed by the average gross margin and dividing by 100.

Top 100 Bulk Buying Chart



Product	Manufacturer	Small Size	Small Price	Bulk Size	Bulk Price	Savings $	Savings %
Achromycin-V Caps 250mg	Lederle	100	$ 5.32	1,000	$ 30.42	$ 22.78	74.9%
Aldactazide Tabs	Searle	100	23.75	2,500	530.80	62.95	11.9
Aldomet Tabs 250mg	MSD	100	16.34	1,000	158.48	4.92	3.1
Aldomet Tabs 500mg	MSD	100	29.98	500	147.74	2.16	1.5
Aldoril Tabs 25mg	MSD	100	19.63	1,000	190.45	5.85	3.1
Amoxil Caps 500mg	Beecham	50	19.71	500	185.27	11.83	6.4
Amoxil Caps 250mg	Becham	100	21.07	500	100.36	4.99	5.0
Anaprox Tabs 275mg	Syntex	100	39.31	500	189.83	6.72	3.5
Antivert Tabs 25mg	Roerig	100	19.60	1,000	185.98	10.02	5.4
Ativan Tabs 1mg	Wyeth	100	22.03	500	80.35	29.80	37.1
Bactrim DS Tabs	Roche	100	40.98	500	194.66	10.24	5.3
Benadryl Caps 25mg	Parke Davis	100	7.22	1,000	62.71	9.51	15.2
Benadryl Caps 50mg	Parke Davis	100	10.69	1,000	93.52	13.38	14.3
Catapres Tabs 0.1mg	Boehringer Ingelheim	100	16.39	1,000	158.98	4.92	3.1
Ceclor Caps 250mg	Lilly	15	12.09	100	76.71	3.89	5.1
Clinoril Tabs 200mg	MSD	60	33.23	100	43.66	11.72	26.9
Cogentin Tabs 2mg	MSD	100	10.01	1,000	83.56	16.54	19.8
Corgard Tabs 40mg	Squibb	100	33.40	1,000	317.34	16.66	5.2
Coumadin Tabs 5mg	Endo	100	10.62	1,000	103.98	2.22	2.1
Dalmane Caps 15mg	Roche	100	16.90	500	83.50	1.00	1.2
Darvocet-N Tabs 100mg	Lilly	100	20.75	500	98.57	5.18	5.3
Darvon Cmpd. Caps 65mg	Lilly	100	13.55	500	64.40	3.35	5.2
Diabinese Tabs 250mg	Pfizer	100	31.45	1,000	301.80	12.70	4.2
Dilantin Caps 100mg	Parke Davis	100	7.50	1,000	59.21	15.79	26.7
Dimetapp Extentabs	A. H. Robbins	100	16.83	500	78.10	6.05	7.5
Donnatal Tabs	A. H. Robbins	100	4.60	1,000	40.30	5.70	14.1
Dyazide Caps	SKF	100	14.70	1,000	142.00	5.00	3.5
E-Mycin Tabs 250mg	Upjohn	40	8.51	500	101.00	5.38	5.3
E.E.S. 400 Filmtabs	Abbott	100	24.15	500	109.78	10.97	10.0
Empirin w/Cod. Tabs 30mg	Burroughs Wellcome	100	11.08	1,000	98.23	11.85	12.1
Enduron Tabs 5mg	Abbott	100	15.66	1,000	151.80	4.80	3.2
Eryc Caps 250mg	Parke Davis	100	21.37	500	104.70	2.15	2.1
Erythrocin Tabs 250mg	Abbott	100	10.25	47.59	3.66	7.7	
Flexeril Tabs 10mg	MSD	30	12.36	100	38.90	2.30	5.9

Special

NACDS preview issue

DRUG STORE NEWS

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Partners in profits: forging a winning team

According to POPAI consumer study

Merchandising style translates into sales $$

SAN DIEGO—Consumers who rank a drug store as "high" on merchandising pizzazz wind up spending 15% to 20% more than the average shopper, according to preliminary results just tabulated from POPAI/Dupont's massive new drug store consumer marketing study.

Initial findings from the 12,000-interview study, which was implemented in two phases during the summer and late fall of 1983, were released for the first time at POPAI's annual convention here last month.

Full details from the survey will be published in an exclusive consumer survey issue of *Drug Store News* Dec. 12, while a followup report of the preliminary findings will also be in our next issue, April 30.

Among the key findings released at the POPAI meeting last month were the following:

- Some 6% of all shoppers who go into a drug store with a specific planned purchase in mind fail to buy anything.
- A total of 12% who go in with a specific product in mind fail to buy the product they initially intended to purchase.
- In-depth analysis of the data shows that sales are lost for two key reasons: The stores were out of stock on the target products or management failed to make it easy for the shopper to locate the products they intended to buy through in-store merchandising aids.

The POPAI study, which was carried out in 40 major markets, charts the purchase activity of some 12,131 consumers who shopped in a total of 258 drug stores.

Not only does the study capture "how" the consumer actually behaves while shopping in a "typical drug store," it also catalogs the number of purchases that were influenced by in-store merchandising aids, aids that prompted undecided or impulse sales.

POPAI's 12,131 shoppers made a total of 27,282 purchases (2.27 average purchases per shopper), but significantly an outstanding 57% of those purchases were generated by in-store decision-making.

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Incidence of unplanned purchases

Category	Impulse Index	Category	Impulse Index
Jewelry/leather goods	83.12%	Paper products	60.94%
Cards/novelties	82.43	Automotive	58.80
Seasonal	81.60	Feminine hygiene/ contraceptives	57.85
Candy/gum	75.44	Personal hygiene	57.71
Stationery/school and home office supplies	73.40	Shaving needs	57.67
Toys/sporting goods	69.12	Apparel	57.55
Housewares	68.90	Hair care	56.77
Garden supplies	68.87	Barbecue/patio	56.45
Cosmetics	65.65	Electrical/batteries	55.02
Fragrances	65.22	Magazines/books	53.93
Pet foods and supplies	64.89	Other OTC's	53.79
Food	63.74	Skin/suncare	53.69
First aid	63.14	Footcare	53.62
Hardware/paint	62.52	Dental	52.50
Vitamins and food supplements	61.96	Cough/cold	52.31
Household/cleaning aids	61.46	Optical	50.21

Source: POPAI

—News in brief—

Jones named Schuck's president

SEATTLE—Pay 'n Save has named Howard E. Jones, a 20-year retail veteran, as president of its 58-store Schuck's auto supply chain. Before joining Pay 'n Save, Jones had worked as vp and general manager for the Peavey Building Supplies Company, in Yuba City, Calif., where he oversaw operations of 43 retail outlets. Prior to that he was director of retail operations for the Williams Brothers Lumber Co. in Atlanta. Pay 'n Save chairman Lamont Bean said, "Jones' vast experience in retailing will enable us to move rapidly ahead with our plans to expand our Schuck's automotive specialty division." Pay 'n Save plans to double the chain's store count within three years.

Pathmark Super Drug to use scanners

EDISON, N.J.—Supermarkets General Corp., operators of Pathmark food/drug combos and freestanding drug stores, will install checkout scanners in the first of three planned deep-discount stores set to open in Baltimore this spring.

The three 25,000-sq.-ft. deep-discount stores, tentatively named Pathmark Super Drug, are scheduled to open in Towson, Glen Burnie and Durdalk.

Pathmark would join Revco as the only other major chain using scanners in a deep-discount drug store. Revco introduced scanners in its Get It For Less store in Memphis last year.

Second Ike's store is planned

MEMPHIS—Following the success of its first "Ike's" deep-discount drug store here, Malone & Hyde said it will open a second unit in the fall that "will mirror" the original 33,000-sq.-ft. store. Malone & Hyde said the new Ike's will also use a circus decor theme, with Ike the elephant as its mascot.

Operating on margins averaging 14%-18%, the store banks on high volume to generate profit dollars. Customer savings are in the 20%-50% range. Sixty per cent of the product mix is H&BA and general merchandise, and the rest is convenience merchandise, such as snack foods, soft drinks and household products.

Most of the merchandise consists of deals and closeouts direct-shipped to the store. Malone & Hyde is considering other Memphis locations for future Ike's units.

Snyder's announces appointments

MINNETONKA, Minn.—Mike Pann has been promoted to vp of retail operations for Snyder's drug stores, Don Beeler, president of the chain, announced. Pann, who joined Snyder's in 1969 as a manager trainee, has held various positions, the most recent of which was assistant vp of retail operations.

Beeler also announced the appointment of Rich Oorlog to vp of human resources. Oorlog transferred from Gambles, another division of Wickes Company, where he was vp-human resources. Snyder's operates 55 corporate stores and 143 independent retail outlets in Minnesota, Wisconsin, South Dakota, Iowa, Illinois and Michigan.

Kroh buys 6-store Thornburg Drug

SYRACUSE, Ind.—John F. Kroh has purchased the six-store Thornburg Drug Co. from Ralph W. Thornburg. Kroh, who is now president of the chain, had been Thornburg's vp-advertising and sales promotion manager. The company, which was founded in 1915, reported 1983 earnings of $1.25 million on $10 million in sales.

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Vol. 6, No. 9 April 16, 1984

Senate seen as last hurdle for Hughes Rx crime bill

WASHINGTON — Despite continued opposition from independent druggists, House Crime Subcommittee Chairman William Hughes' (D-N.J.) pharmacy robbery bill sailed through the Judiciary Committee and appeared on the way to final House approval early this month.

If the Hughes legislation passes that chamber as expected, the decks will be clear for a potentially fiery Congressional conference to resolve the differences between that bill and a somewhat different pharmacy crime measure approved by the Senate earlier this year.

Since both proposals would make the robbery of controlled substances from a pharmacy a Federal offense, it appeared likely at presstime that some type of pharmacy crime legislation would finally be enacted into law this year.

The only potential remaining hitch: the steadfast refusal of lobbyists from the National Association of Retail Druggists to support Hughes' compromise House measure.

In contrast, that legislation has already won open endorsements from virtually every other pharmacy and drug industry segment.

In separate letters to Hughes, National Association of Chain Drug Stores president Robert Bolger called the bill "a most equitable approach" to the growing problem of controlled substance robberies, while American Pharmaceutical Association president Maurice Bectel described it as "a very responsible blending of Federal, state and local jurisdictions" which offers "the promise of a meaningful deterrent to crimes that have left many pharmacists dead or severely injured."

In addition, both the National Wholesale Druggists Association and the Drug Wholesalers Association as well as other industry groups have expressed strong support for the Hughes proposal.

Like Sen. Roger Jepsen's (R-Iowa) Rx crime bill which has already cleared the Senate, Hughes' version would establish stiff new Federal penalties for the theft of controlled substances from retail pharmacies, hospitals, drug wholesalers, pharmaceutical manufacturers or other Drug Enforcement Administration registrants.

Specifically, the House measure sets maximum Federal penalties for controlled substance robberies or burglaries of $25,000 plus 20 years in prison, and imposes life sentences in the event that any person is killed during such a theft.

The bill also raises the current Federal conspiracy penalties from five years in prison and $10,000 to ten years and $25,000 for individuals convicted of conspiring to steal

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Albertson's returns to Tacoma

BOISE, Idaho—After an absence of 17 years, Albertson's, ninth largest food/drug chain in the country, is returning to Tacoma, Wash., with four superstores—all with pharmacies.

Three of the stores are 42,000 sq. ft., while the fourth—a takeover of a Food King—is 40,000 sq. ft. The first Tacoma store opened in mid-February 1983, the other three will open during 1984-85.

Why did Albertson's leave Tacoma—and why is it returning?

Bob Bolinder, vice-chairman, told *Drug Store News:* "Seventeen years ago we had three small stores which were unproductive, so we sold them to a local operator. We have been looking for the right sites since. The Tacoma economy (Tacoma is 30 miles south of Seattle) is good, drawing on big Government military installations. And there are spillover benefits from Boeing Aircraft to the north."

At present, Albertson's operates 41 superstores in Western Washington. Four of them have pharmacies.

The move back to Tacoma follows re-entry into the Dallas market after an absence of seven years. In 1977, when Albertson's and Skaggs severed their partnership, Skaggs took over the combos in Dallas (now called Skaggs-Alpha Beta).

At present, Albertson's has four 62,000-sq.-ft., food/drug combos under construction in the Dallas-Fort Worth area. A total of 12 will be in operation in the next two years. Currently, Albertson's operates 23 food/drug combos in south and west Texas.

Dallas is now the most competitive combo area in the country. Laments G. G. Grandstaff, vp-general manager of the five-store Drug Mart, "Everybody in the U.S.A. has moved down here."

Not "everybody," but some of the nation's giants, nonetheless. Tom Thumb/Page is the leader. Safeway is not only opening more superstores with pharmacies, but is also installing pharmacies in older stores. Skaggs-Alpha Beta has opened four combos in the last six months. Kroger, too, is a factor, while Minyard's has tossed its hat into the combo ring with four 46,000-sq.-ft. stores now under construction.

Is Dallas overstored? "Yes," says Bob Minyard, president of Minyard's Food Stores Inc., "but there is still room in this market." Jack Sprabary, vp of general merchandise for Page, says, "growth has peaked. Even so, most combos in Dallas are doing relatively well. Dallas' biggest strength is its diversified economy."

Says Bolinder: "There is competition in every area, but in Dallas there is also growth in all

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FINANCIAL

CVS profits up 16%

WOONSOCKET, R.I.—Melville Corp. reported that CVS, Melville's drug and health and beauty aids store chain, posted operating profits of $61.2 million for the year ended Dec. 31, 1983, 16% higher than the $52.7 million in profits for the previous year.

Sales for CVS increased 19.2% to $734.1 million from $615.8 million in 1982.

The profit increase for 1983 was the second strong performance in a row. In 1982, CVS operating profits rose 31%.

For the Melville Corp. as a whole, net earnings increased to $176.3 million from $142.1 million, a 24% advance. Sales rose 20.3% to $3.9 billion from $3.3 billion in 1982.

At the end of the year, CVS was operating 513 drug and health and beauty aids stores, a net increase of 47 stores.

Pay Less NW dividends rise

WILSONVILLE, Ore.—The directors of Pay Less NW voted to raise the quarterly dividend on the company's common stock to 8½¢ from 6¾¢, a 26% increase.

The dividend will be paid July 16 to shareholders of record on June 22. The increase raises the indicated annual rate to 34¢ a share, two times the rate in effect three years ago.

Commenting on the board's action, Pay Less president Ed Hart said, "We are raising the dividend again in view of our continued earnings growth and our outlook for fiscal 1985.

Malone & Hyde earnings jump 14% in third quarter

MEMPHIS—Malone & Hyde Inc., the food and drug wholesaler and retailer which operates Super D drug stores, said that fiscal 1984 third quarter earnings rose 14% to $9.4 million from $8.2 million during the prior year's quarter.

Earnings per share for the third quarter, ended March 3, increased 16% to 58¢ from 50¢ last year.

Third quarter sales were up 3.6% to $627 million from $605 million during the same period last year. However, excluding the sales of operations discontinued during the previous year, sales rose 7.2%.

Sales for the 36-week period were $1.9 billion, a 5.7% increase from the $1.8 billion generated during the first three quarters of fiscal 1983. Excluding sales of discontinued operations in 1983, sales rose 11%.

Net income for the first three quarters of fiscal 1984 was up 21% to $25.6 million from $21.2 million for the previous year.

J. R. Hyde III, chairman and president of Malone & Hyde, commenting on the results said: "We were pleased with our overall operating results for the quarter. Importantly, we continued to make progress in furthering our strategic objectives.

"We are well-positioned to confidently predict profitable growth and record results for the fiscal year," Hyde added.

Malone & Hyde's net-to-sale ratio for the first three quarters of 1984 was 4%. During the first three quarters of fiscal year 1983, the Memphis based retailer had a net-to-sales ratio of 3.5%.

Hyde also credited the successful launch of the company's new deep-discount drug operations for the strong showing.

"Initial customer response has been exceptionally strong for our newest retail venture, Ike's, a deep-discount variety store which opened Feb. 25," Hyde said. "We plan to open the second Ike's this summer, and look toward opening a third by the end of the calendar year."

Chain drug stocks deliver mixed results

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		3/9/84—3/26/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin					Last Fiscal Year			Last Fiscal Year (Per Share)		
					Change		52-Week												Indicated Dvd. Rate								
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	15.63	14.00	14.13	.25	1.80	24.88	12.63	.40	-.43	3.44	-32.28	1.74	.62	F	55.3	40.0	2.4	8.1	.04	.3	03-09-84	302.1	7.1	2.8	8.00	9.74	1282
Am Stores	ASC	34.88	30.63	32.38	.38	1.17	44.00	24.97	.00	-1.26	2.02	-5.15	3.61	.92	F	34.2	62.0	1.5	9.0	.64	2.0	03-22-84	7983.7	117.9	1.4	11.95	12.14	0183
Begley Drug	BGLY	16.00	16.00	16.00	.00	.00	24.00	15.00	-.13	.34	1.02	-8.33	1.47	1.46	N	NC	-10.0	1.4	11.0	.68	4.3	01-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	11.13	10.50	10.75	-.13	-1.15	14.50	8.31	-.22	-.09	1.22	32.37	.53	.14	F	35.8	22.0	3.0	20.3	.00	.0	09-21-83	117.0	3.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	73.00	65.00	68.00	3.00	4.62	148.00	57.00	.78	-.40	-1.44	-34.00	5.43	6.32	N	207.2	67.0	3.1	7.3	.13	.2	03-05-84	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	7.00	6.25	6.25	-.50	-7.41	9.31	5.25	.21	.31	-5.43	-77.44	.55	.65	N	NC	NC	2.6	9.6	.00	.0	01-25-84	26.7	.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	26.00	24.13	24.50	-1.00	-3.92	34.88	23.50	.11	-.31	-2.16	7.96	1.91	.30	S	16.3	6.0	3.1	11.4	1.00	4.1	03-12-84	2325.0	71.7	2.0	.30	*5.17	0783
Fay's Drug	FAY	11.75	10.50	10.50	-.88	-7.69	14.50	8.81	-.26	-.80	-1.58	5.63	.60	.13	F	27.6	56.0	2.6	17.5	.14	1.3	03-19-84	312.4	6.1	2.0	2.17	2.23	0183
Genovese Drug	GDX	14.50	13.63	13.63	-.63	-4.39	20.50	8.88	.01	-.75	-2.65	58.18	.96	.29	F	43.2	99.0	2.0	14.2	.20	1.5	12-28-83	193.8	3.9	1.7	1.90	4.95	0183
Hook Drugs	HOOK	22.50	21.75	21.75	-.75	-3.33	29.75	20.00	-.41	-.23	-4.71	48.00	2.01	.49	F	32.2	7.0	2.7	10.8	1.00	4.6	04-09-84	320.5	8.7	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	43.50	41.63	42.00	.13	.30	50.13	40.25	-.02	-.02	-3.03	-.96	3.43	.51	F	17.4	10.0	3.0	12.2	1.12	2.7	02-29-84	1214.4	36.4	1.8	.00	*16.76	0183
Pay N Save	PAYN	21.63	19.63	21.63	1.88	9.49	28.75	17.50	.19	1.58	3.86	12.14	2.02	.61	F	43.2	1.0	2.5	10.7	.60	2.8	02-17-84	1220.5	30.1	2.3	17.01	*4.32	0183
Pay Less NW	PAY	16.88	15.25	16.88	1.25	8.00	20.19	14.00	.37	.67	.01	82.33	1.35	.28	F	26.1	1.0	2.9	12.5	.34	2.0	06-18-84	852.9	24.7	2.0	5.26	6.07	0183
Peoples Drug	PDG	33.88	33.63	33.75	.13	.37	33.88	20.25	1.73	.32	-4.61	-81.49	1.79	.36	Q	24.3	23.0	1.7	18.3	.28	.8	02-17-84	791.1	13.7	1.8	4.92	*11.56	0983
Perry Drug	PDS	16.00	14.50	14.88	.38	2.59	22.38	11.69	-.12	-.36	-1.46	31.74	1.02	.37	Q	50.0	11.0	1.6	13.4	.24	1.6	02-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	33.25	30.75	31.50	.63	2.02	37.50	26.50	.07	-.30	.17	69.05	2.13	.56	N	29.7	24.0	3.7	12.9	.68	2.2	02-17-84	1792.8	66.5	2.5	1.33	*11.59	0583
Rite Aid Corp	RAD	19.38	18.13	18.50	-.25	-1.33	23.44	17.88	-.11	.40	.87	4.64	1.19	.61	N	83.5	26.0	3.9	13.8	.40	2.2	01-30-84	1294.7	49.9	1.7	.59	6.19	0283
Thrifty Cp	TFD	14.25	12.75	12.75	-1.00	-7.27	25.25	11.63	-.49	-.78	3.43	17.89	1.13	.23	Q	24.7	18.0	1.9	11.0	.52	4.1	02-06-84	1187.8	22.5	1.5	5.39	6.83	0683
Walgreen Co	WAG	36.25	33.38	34.25	1.00	3.01	40.38	26.75	.19	.05	-1.04	-6.47	2.24	.46	Q	24.4	34.0	2.9	14.6	.72	2.1	02-10-84	2360.6	69.0	1.6	1.76	*11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	25.75	21.88	24.25	2.38	10.86	39.50	21.00	.32	.08	-4.76	.95	1.60	.22	S	14.6	38.0	1.4	14.1	.32	1.3	01-26-84	1452.0	20.0	1.6	1.22	9.99	0683
McKesson Cp	MCK	36.25	34.00	34.25	-1.00	-2.84	51.00	34.00	-.48	-.80	4.39	44.97	3.44	.38	N	11.7	5.0	1.6	9.5	2.40	7.0	02-24-84	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	25.00	24.25	24.50	.00	.00	28.50	22.25	.30	.13	2.57	13.64	.94	1.43	N	NC	103.0	.7	17.1	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	18.00	13.63	15.75	2.25	16.67	21.00	11.19	.33	.10	3.89	-36.54	.89	.51	N	113.3	97.0	.4	16.4	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	14.00	13.50	13.75	-.25	-1.79	19.25	13.00	.06	.72	-2.45	-23.44	1.41	.64	F	83.1	8.0	1.2	9.8	.36	2.6	03-09-84	255.2	3.0	2.8	10.55	9.76	1282
Spectro Indus	SPO	19.75	15.50	18.00	1.50	9.09	28.75	15.50	.14	-1.39	9.12	4.35	1.35	.31	N	25.0	48.0	1.6	11.6	.14	.8	12-29-83	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	42.75	38.25	38.88	-1.50	-3.72	53.38	38.25	-.43	-1.27	-.07	5.01	2.86	.49	F	20.6	28.0	11.9	13.6	1.20	3.1	04-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	53.88	51.00	52.38	.38	.72	54.75	42.88	.14	.02	.79	17.21	4.00	.41	F	11.4	17.0	12.9	13.1	2.64	5.0	02-06-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	18.00	16.50	17.00	.00	.00	31.31	16.38	-.63	-.41	-2.50	1.30	1.45	.23	F	18.8	28.0	11.8	11.7	.33	1.9	03-23-84	1842.5	218.1	2.0	1.18	7.52	1282
Block Drugs Co	BLOCA	27.25	27.00	27.25	.25	.93	34.47	21.38	-.17	.34	-3.72	19.70	2.85	.47	N	17.6	14.0	9.7	8.7	1.00	3.7	02-24-84	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	47.50	43.38	45.25	2.00	4.62	47.88	34.50	.17	-.11	.30	-8.74	3.00	.41	F	15.8	19.0	10.4	15.1	1.60	3.5	04-02-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	25.25	23.75	23.75	-1.25	-5.00	29.00	18.00	-.24	-.76	-7.14	-17.98	2.12	.31	N	15.5	35.0	5.7	10.3	.48	2.0	02-06-84	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	12.75	10.38	12.63	1.88	17.44	13.75	10.38	-.14	4.47	8.18	63.79	NA	NA		NA	NA	NA	NA	.12	1.0	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	18.50	16.13	16.75	-.38	-2.19	40.75	16.13	-.71	-.63	-1.85	-22.01	.48	-.02	N	-3.5	57.0	13.4	31.0	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	7.13	5.88	6.13	-.13	-2.00	15.25	4.88	.45	-2.83	-2.08	-29.95	.22	-.20	F	-47.6	33.0	5.1	27.8	.00	.0	00-00-00	37.0	1.9	1.8	.65	3.81	1182
Key Pharm	KPH	16.00	14.50	16.00	1.25	8.47	25.94	13.38	-.01	.75	-3.24	-11.45	.51	.17	F	50.0	60.0	14.8	31.4	.16	1.0	03-12-84	127.3	18.8	1.6	.03	1.14	1282
Lilly Eli Co	LLY	64.25	61.13	61.25	-1.50	-2.39	68.38	56.75	-.16	-.13	-4.75	2.79	6.13	.71	F	13.0	12.0	15.1	10.0	2.90	4.7	02-08-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.00	2.75	2.88	.00	.00	4.38	2.00	.46	.00	-2.32	-2.94	-.49	.54	Q	NE	-57.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	35.00	27.75	33.75	5.25	18.42	48.00	27.25	.27	.97	3.11	37.11	.78	.43	S	72.8	15.0	8.2	33.1	.40	1.2	03-14-84	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	94.50	90.00	91.88	-.25	-.27	104.63	81.75	.00	.04	1.15	-12.97	6.10	.49	F	8.7	7.0	13.9	15.1	3.00	3.3	03-01-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	67.25	61.00	66.00	5.00	8.20	83.38	60.00	-.58	.88	-1.91	39.44	5.15	1.09	S	23.1	17.0	5.2	11.4	1.76	2.7	02-23-84	1509.2	78.5	1.4	8.90	32.79	0663
Newport Ph	NWPH	5.63	5.13	5.50	.38	7.32	11.38	4.50	-.24	-.35	-2.15	3.61	-.03	-.09	N	NE	14.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	39.50	33.75	34.50	-3.50	-9.21	44.75	33.75	-.10	-.45	1.50	-20.08	2.73	.62	F	29.3	17.0	11.9	12.6	1.32	3.8	01-26-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	4.25	4.00	4.00	.00	.00	6.09	1.91	1.49	.24	.53	17.65	.10	.06	S	85.7	64.0	6.1	30.8	.05	1.3	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	18.13	16.88	17.13	.00	.00	29.38	16.63	-.18	.17	-2.52	33.03	2.40	.42	F	21.2	20.0	10.3	7.1	.68	4.0	02-03-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	28.75	27.25	28.63	1.25	4.57	34.25	25.00	.19	.60	.50	-9.85	2.02	.22	F	12.2	11.0	8.9	14.2	1.08	3.8	02-06-84	475.3	42.4	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	13.38	12.38	13.13	.38	2.94	29.63	12.25	-.34	.39	1.65	-32.50	1.13	-.39	N	-36.7	2.0	5.2	19.6	.32	2.4	03-14-84	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	48.63	44.75	46.75	-.50	-1.06	55.88	36.63	.08	.71	-.91	29.44	2.39	-.17	F	-6.6	14.0	11.6	19.6	.52	1.1	02-06-84	946.0	110.0	2.2	4.10	13.32	1282
Squibb Corp	SQB	47.62	44.00	44.88	.63	1.41	55.63	38.25	-.11	-.22	.09	15.50	3.31	.30	F	9.9	6.0	9.8	13.6	1.44	3.2	02-10-84	1768.9	173.3	2.3	6.54	21.29	1282
Sterling Drug	STY	26.00	23.88	26.00	1.88	7.77	29.63	23.50	.06	1.05	.16	-6.63	2.24	.07	F	3.2	8.0	7.2	11.6	1.12	4.3	02-09-84	1901.2	136.8	2.8	1.19	14.16	1282
Syntex Corp	SYN	41.63	38.38	39.13	-.88	-2.19	62.50	38.38	-.75	.40	2.19	10.58	4.30	.40	S	9.9	36.0	17.2	8.8	1.60	4.1	02-06-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	18.38	15.38	18.00	2.63	17.07	26.00	12.75	.79	.57	-5.33	-9.40	1.65	.49	F	42.2	89.0	11.0	10.9	.40	2.2	12-23-83	149.4	16.5	4.5	.00	4.53	1182
Upjohn Co	UPJ	61.38	58.75	60.88	2.25	3.84	68.75	50.63	.23	.41	4.31	-6.26	5.28	1.10	F	26.3	1.0	8.1	11.5	2.56	4.2	01-03-84	1986.1	160.2	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	34.75	32.88	33.63	.63	1.89	36.75	26.38	.34	.13	-.01	8.88	2.51	.46	F	22.4	-2.0	6.5	13.4	1.48	4.4	02-06-84	3108.3	200.5	1.9	7.53	17.75	1283

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

Top 100 Bulk Buying Chart

Product	Manufacturer	Small Size	Small Price	Bulk Size	Bulk Price	Savings $	Savings %
Hydrochlorothiazide Tabs 50mg	Generic	100	1.94	1,000	18.00	1.40	7.8
Hydrodiuril Tabs 50mg	MSD	100	8.44	5,000	376.58	45.42	12.1
Hygroton Tabs 50mg	USV	100	18.82	1,000	181.55	6.65	3.7
Inderal Tabs 10mg	Ayerst	100	7.51	1,000	72.14	2.96	4.1
Inderal Tabs 20mg	Ayerst	100	10.56	1,000	101.51	4.09	4.0
Inderal Tabs 40mg	Ayerst	100	15.22	1,000	146.21	5.99	4.1
Inderal Tabs 80mg	Ayerst	100	25.38	1,000	243.86	9.94	4.1
Indocin Caps 25mg	MSD	100	24.68	1,000	239.25	7.55	3.2
K-tabs 750mg	Abbott	100	8.28	1,000	79.63	3.17	4.0
Keflex Caps 250mg	Dista	20	10.51	1,000	50.04	2.51	5.0
Keflex Caps 500mg	Dista	20	20.68	100	98.33	5.07	5.2
Lanoxin Tabs 0.125mg	Burroughs Wellcome	100	2.29	1,000	18.49	4.41	24.0
Lanoxin Tabs 0.25mg	Burroughs Wellcome	100	2.50	5,000	83.05	41.95	50.5
Lasix Tabs 20mg	Hoechst	100	8.85	1,000	79.85	8.65	10.8
Lasix Tabs 40mg	Hoechst	100	12.45	1,000	112.35	12.15	10.8
Librax Caps	Roche	100	19.23	500	95.15	1.00	1.1
Librium Caps 10mg	Roche	100	15.28	500	75.40	1.00	1.3
Lomotil Tabs	Searle	100	22.37	2,500	482.28	3.08	0.6
Lopressor Tabs 100mg	Geigy	100	28.05	1,000	271.88	8.72	3.2
Lopressor Tabs 50mg	Geigy	100	15.59	1,000	151.00	4.90	3.2
Macrodantin Caps 50mg	Norwich-Eaton	30	7.44	1,000	200.48	47.52	23.7
Mellaril Tabs 25mg	Sandoz	100	19.14	1,000	181.86	9.54	5.2
Micro-K Caps 8mg	A. H. Robbins	100	7.26	500	31.74	4.56	14.4
Minipres Caps 5mg	Pfizer	250	87.11	500	172.46	1.76	1.0
Motrin Tabs 400mg	Upjohn	100	22.38	500	108.20	3.70	3.4
Motrin Tabs 600mg	Upjohn	100	31.28	500	153.56	2.84	1.8
Naldecon Tabs	Bristol	100	27.94	500	135.90	3.80	2.8
Nalfon Tabs 600mg	Dista	100	29.15	500	141.57	4.18	3.0
Naprosyn Tabs 250mg	Syntex	100	42.62	500	207.77	5.33	2.6
Naprosyn Tabs 375mg	Syntex	100	52.21	500	253.25	7.80	3.1
Omnipen Caps 500mg	Wyeth	100	11.97	500	57.01	2.84	5.0
Orinase Tabs 0.5mg	Upjohn	50	8.03	1,000	155.14	5.46	3.5
Ornade Spansules	SKF	50	11.70	500	113.50	3.50	3.1
Parafon Forte Tabs	McNeil	100	24.60	500	119.40	9.50	8.0
Percodan Tabs	Endo	100	18.88	1,000	178.50	10.30	5.8
Persantine Tabs 25mg	Boehringer Ingelheim	100	12.72	1,000	120.69	6.51	5.4
Persantine Tabs 50mg	Boehringer Ingelheim	100	20.51	1,000	194.82	10.28	5.3
Phenaphen w/cod. Caps 30mg	A. H. Robbins	100	19.00	500	91.00	4.00	4.4
Premarin Tabs 1.25mg	Ayerst	100	13.80	1,000	131.59	6.41	4.9
Procardia Caps 10mg	Pfizer	100	22.66	300	66.60	1.38	2.0
Provera Tabs 10mg	Upjohn	25	10.33	100	39.20	2.12	5.4
Reglan Tabs 10mg	A. H. Robbins	100	19.50	500	92.40	5.10	5.5
Rufen Tabs 400mg	Boots	100	15.30	500	70.20	6.30	9.0
Septra DS Tabs	Burroughs Wellcome	20	43.32	250	97.32	4.39	4.5
Slow K Tabs	Ciba	100	8.08	1,000	78.39	1.69	2.2
Synalgos DC Caps	Ives	100	19.94	500	94.79	4.91	5.2
Synthroid Tabs 0.1mg	Flint	100	5.39	1,000	45.80	8.10	17.7
Synthroid Tabs 0.15mg	Flint	100	6.48	1,000	55.04	9.76	17.7
Synthroid Tabs 0.2mg	Flint	100	7.76	1,000	65.99	11.61	17.6
Tegretol Tabs 200mg	Geigy	100	19.29	1,000	186.94	5.96	3.2
Tenormin Tabs 10mg	Stuart	28	9.40	100	33.55	0.02	0.06
Theo-Dur Tabs 200mg	Key	100	11.30	500	53.48	3.02	5.6
Theo-Dur Tabs 300mg	Key	100	13.42	500	63.55	3.55	5.6
Thyroid Tabs 1gr	Armour	100	2.28	5,000		33.32	41.3
Timoptic Ophth. Soln. 0.05%	MSD	5ML	10.98	15ML	31.88	1.06	3.3
Tolinase Tabs 250mg	Upjohn	100	30.26	1,000	291.58	11.02	3.8
Tranxene Caps 3.75mg	Abbott	100	16.68	500	81.57	1.83	2.2
Tranxene Caps 7.5mg	Abbott	100	21.29	500	81.57	24.88	3.50
Tylenol w/Cod. Tabs 30mg	McNeil	100	9.70	1,000	89.96	7.04	7.8
Tylenol w/Cod. Tabs 60mg	McNeil	100	18.23	500	86.44	4.71	5.4
V-Cillin K Tabs 250mg	Lilly	100	10.54	500	49.77	2.93	5.9
Valium Tabs 10mg	Roche	100	31.45	500	156.25	1.00	0.6
Valium Tabs 2mg	Roche	100	11.95	500	58.75	1.00	1.7
Valium Tabs 5mg	Roche	100	18.63	500	92.15	1.00	1.1
Vibramycin Caps 100mg	Pfizer	50	75.50	500		101.11	15.5
Zyloprim Tabs 300mg	Burroughs Wellcome	30	7.33	500	110.05	12.12	11.0

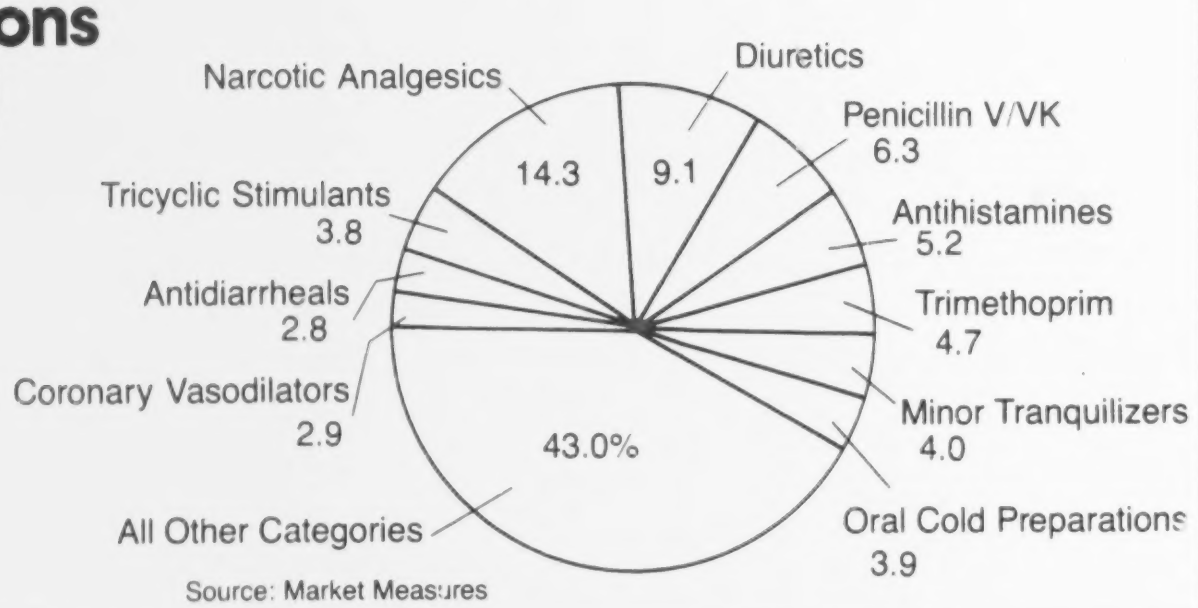
Top 20 Generically Prescribed Products

Rank based on number of Rxs '81	'82	'83	Product Category	Total Category % Growth 83/82 New Rxs	Total Rxs
3	1	1	Amoxicillin	+25%	+25%
1	2	2	Ampicillin	− 7	− 7
7	7	3	Thiazides	−11	− 5
2	3	4	Penicillin V/VK	− 1	− 1
6	6	5	Prednisone Oral	+ 2	+ 2
4	4	6	Tetracycline Systemic	− 4	− 2
13	7	7	Hydrocortisone Dermatologicals	+ 1	+ 1
NA	16	8	Erythromycin	+ 9	+ 9
17	12	9	Insulin	+10	+18
NA	NA	10	Coronary Vasodilators	+ 1	+ 2
8	8	11	Phenobarbital	−10	− 8
11	10	12	Nitroglycerin	− 3	− 1
9	9	13	Cardiac Glycosides	−10	− 5
14	15	14	Potassium Supplements	+ 2	+ 6
10	11	15	Thyroid	−15	−12
NA	19	16	Tricyclic Antidepressants	− 3	+ 1
12	14	17	Meprobamate	−10	− 6
NA	NA	18	Antidiarrheals	+ 2	+ 5
NA	NA	19	Antigout Treatments	− 6	− 1
NA	NA	20	Lithium	+ 7	+ 8

Source: *Drug Store News* Survey

10 Drug Categories Account for Over Half of all Pharmacist Substitutions (September 1983)

	100%
Total New Prescriptions	**(3.1 million)**
Top 10 Categories	**57.0%**



Source: Market Measures

Summary of New and Refill Prescription Volume in Chain and Independent Drug Stores 1983

	Rx Volume (# millions)	% share	% Growth 1983/1982
Totals Scripts*	**1,514**	**100.0**	**+2**
New	760	50.2	−1
Refill	754	49.8	+3

*Total scripts refers to noncompounded prescriptions dispensed through retail pharmacies during 1983.

Source: *Drug Store News* Survey

Eckerd tests 'department store' prototypes

Continued from page 5

downtown Clearwater merchants to draw shoppers back to the downtown area. The two other main stores in the Cleveland Plaza, F. W. Woolworth and Publix Super Markets, have also been remodeled. One source said that management of those two stores reported sales had picked up by about 40% since the remodeling, and that the stores were attracting a higher class of clientele.

The Eckerd store also appears to be quite upscale. The traditional Eckerd "supermarket" aisle design has been tossed out in favor of a department store race track format, and the severe white and blue decor has been softened to shades of beige and taupe.

Unyielding long aisles have been replaced by boutiques and islands, which are linked by a two-tone floor that funnels the customer through each section of the store.

In Cleveland Plaza, the drug store is in the back, with its core—the pharmacy—nestled into the rear left wall.

Cosmetics, photo and electronics departments have been moved to the center of the store, where individual attention can be given by service clerks. There is one center island that displays franchise cosmetics facing the front of the store and in the back, watches and radios. To the left of the island, as you walk to the rear of the store, is the television and stereo alcove.

The "opening wall" doesn't begin until the customer gets halfway into the store. Midway along the track the customer discovers a broad expanse of H&BA, OTC, feminine and baby products that flow directly into the pharmacy area.

Pulls right

When shoppers enter the store, they can choose between a right and left track. However, the pull is to the right toward the expanded greeting card section and past the power seasonal aisle. If customers decide to go left, they will find the tobacco, wine, liquor and convenience food departments.

Because each department has been carved into a cove or harbor, each section is distinctly apart from the others. Therefore, customers who are in the greeting card area are segregated from those in cosmetics or electronics.

"Some are looking to buy a stereo," says the manager, "and they don't necessarily want to be bothered by someone browsing for a toothpaste or greeting card. Here they can go into the section, talk about the products we have on display and make a decision quietly. If they need help they can call across to the girl on the island checkout stand."

There are five registers in the store, two at the front entrance for convenience purchases, one in the pharmacy department and two in the gift aisle. Shelves are high, about 50 or 60 in., allowing the addition of about 20% more items without having to expand the size of the department.

Besides the regular stacking of products, Eckerd has also begun to slant merchandise so the shopper can get a full view of packaging.

Customer reaction to the new look is promising. Two weeks after the new planograms were in place at the Cleveland Plaza store, customers were telling clerks what a great pleasure it was to shop in the new environment.

DUANE READE
Thank you for promoting
Herpecin-L®
Cold Sore Lip Balm. "It Works!"
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Consumers: Style aids sales

Continued from page 6

Only 43% of the 27,282 purchases cataloged in the survey were "planned," a full 39% were completely unplanned or spontaneous, another 4.6% were substitute sales, while 13.4% were general sales (i.e., the customers meant to buy toothpaste, but didn't specifically know what brand. The decision to select one brand over all the others was made at the store level).

In-store decision-making, the POPAI findings suggest, affect almost 50% of all drug store purchases actually made.

Prescriptions, of course, generate the lowest level of impulse purchase activity: Just 2.5% of all prescriptions purchases are unplanned. However, 32 of the remaining 39 key categories generated more than half their sales through impulse buying.

Eight out of every 10 purchases in jewelry/leather goods, cards and seasonal products were impulse sales. More than 7 out of every 10 candy/gum sales, stationery and home office supplies, were unplanned, while 6 out of every 10 sales for toys/sporting goods, garden supplies, cosmetics, fragrances, housewares, pet supplies, food, first-aid, hardware and paint, vitamins, household cleaning aids and paper goods were impulse-generated.

The findings show why the retail drug outlet has more control over individual purchasing behavior than the typical manufacturer seems to realize.

While a company like Gillette may be spending $27 million in total ad revenues for a brand like Right Guard, more than half the sales in the deodorant category are actually generated at store level.

The findings imply that the retailer is in a strong position to affect purchase rates through in-store merchandising.

In addition to its analysis of what prompts sales in a specific category, the POPAI study also looks at the impact of different demographics on consumer spending.

It also tabulates the most common cross purchases between categories. For instance, the study can determine if a male who buys contraceptives is also likely to buy cologne.

The study also charts how deeply drug stores have gone into such product lines as beer/wine, home health care, sports medicine, food, photo processing, etc.

In our April 30 sequel, *Drug Store News* will chart some of the initial findings more deeply.

NOW YOU CAN SELL 8 BIC SHAVERS AS EASILY AS 5.

At Bic, we had what we thought was a great idea.

The five pack pouch for Bic shavers.

But they were so popular, they sold out almost the same day they were stocked.

Now we have another great idea.

The Bic eight pack pouch.

So you can sell either five or eight Bic shavers.

It means more of a choice for your customers.

And more profit for you.

BIC

Albertson's re-enters Tacoma

Continued from page 6

directions. We have always done well in Texas, and we received a positive reaction during the Skaggs-Albertson's partnership."

Chainwide, all Albertson's new superstores will have pharmacies except if there is a drug store next door. Currently the 430-store chain operates pharmacies in 49 superstores and 83 food/drug combos.

Bolinder says that in the future superstores will be 44,000 sq. ft., and combos, 60,000 sq. ft. Superstores will have 20% to 35% of their selling area for general merchandise. In the combos, 40% to 50% of the space will be devoted to general merchandise.

Bolinder says that Albertson's will open 42 stores in 1984 (31 superstores and 11 combos), and anticipates 50 in 1985 (38 superstores, 12 combos).

Did you get Joe's point? Read his column on the Pharmacy page—every issue in *Drug Store News*

RIBORY DRUGS
Thank you for promoting
Herpecin-L®
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Inside:

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

DRUG STORE NEWS

Vol. 6, No. 10 | Serving the Retail Drug Store Industry for 55 years Published by Lebhar-Friedman Inc. | April 30, 1984

Drug chains record a banner year

Sav-On revises format; eyes higher margins

ANAHEIM, Calif.—Sav-On is remerchandising its stores, section by section, in a phased-in program scheduled for completion in all 165 units by Christmas 1984. The goal: to improve gross margins by emphasizing higher-profit items like cosmetics and liquor.

The new prototype includes layout changes, emphasizes liquor, cosmetics, pharmacy, and a 60-ft. service department, but at 22,000 sq. ft. (17,000 selling) it is the same overall size as Sav-On's traditional stores.

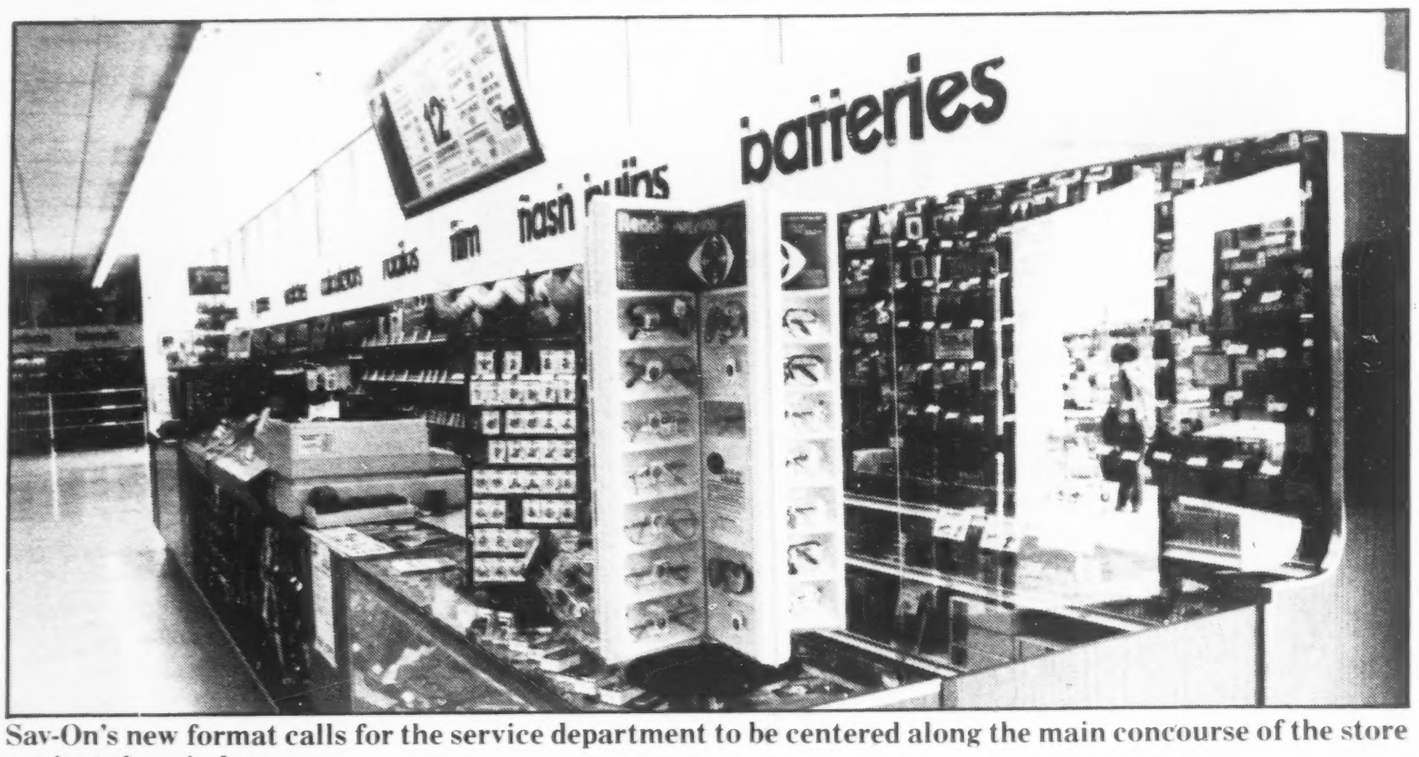
The liquor department has been expanded to 1,700 sq. ft. —double the preremodeled stores in some locations—because Sav-On feels this department has underperformed in the past. The department now offers larger selection, more seasonal gift packs and a 12-ft. promotional gondola for related and seasonal merchandise.

The major change in the cosmetic department, which has been enlarged to 1,700 sq. ft. is the replacement of six-sided spinner racks (seven around the service cosmetics counter plus five ends) with two low-profile double-sided fixtures which are 18 ft. long.

The service department (or bullpen) is centered along the main concourse against the window, and replaces the rectangular bullpen formerly next to liquor on one side of the store.

Household appliances have been moved from their gondola home to the bullpen which also houses TV games, watches,

Continued on page 151



Sav-On's new format calls for the service department to be centered along the main concourse of the store against the windows.

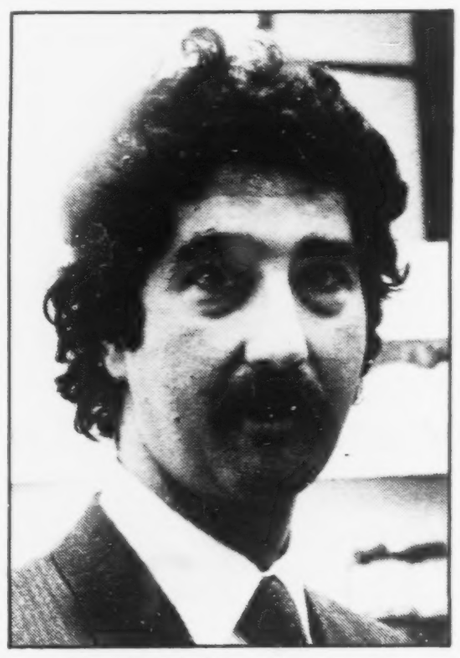
Budd Dworkin voted Revco sr. vp. mktg.

TWINSBURG, Ohio—Elliot (Budd) Dworkin, 35, has been elected senior vp of marketing by Revco's board of directors.

Dworkin, who was formerly in charge of purchasing non-pharmaceutical merchandise, will be responsible for purchasing, advertising and the chain's marketing and merchandising functions.

The son of Sidney Dworkin, Revco's chairman, president and ceo, Budd Dworkin has held various management positions at Revco since joining the company in 1966, including director and assistant vp of marketing. He has a B.A. in economics from Oakland University in Rochester, Mich., and is working toward an M.B.A. from Case Western Reserve University in Cleveland.

In another promotion, Linda Gauntner, formerly director of



Budd Dworkin

pharmaceutical purchasing, was appointed assistant vp of that department. She will now be responsible for supervising the purchasing of pharmaceutical merchandise. A pharmacist for seven years and as a prescription drug buyer for two years, Gauntner earned her B.S. in pharmacy from the University of Michigan.

Medicare-Glaser names Barney chief of deep-discount division

ST. LOUIS—Fred Barney, former president of the Jax, deep-discount stores in Cleveland has been named to head Medicare-Glaser's newly formed specialty retailing division. He'll oversee the chain's entrance into the deep-discounting business.

Barney will be joined by Jerry Gaddis, who leaves his job as vp of purchasing at Fisher's Jax division to serve as vp for Medicare-Glaser's specialty retailing division.

Cash rich from its recent public offering, Medicare-Glaser will unwrap its first deep-discount store this summer in its home market of St. Louis. No name has been given the unit, which according to Barney, will resemble Jax.

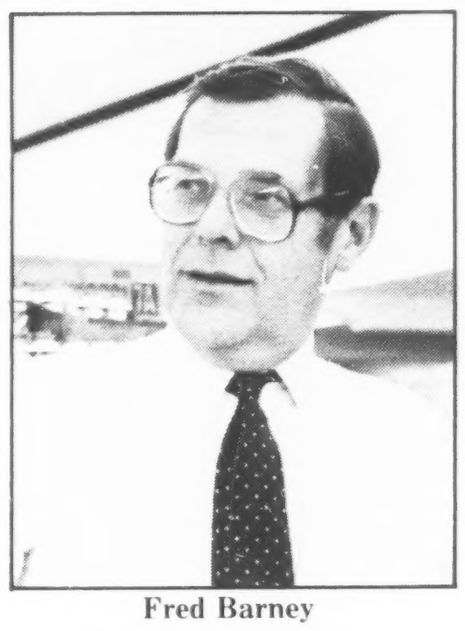
"You don't tamper with success," Barney said.

That means the store will have full-line department including merchandise not always found in the typical big discount store. Jax, for instance, opened with a 64-ft. plant department. The unit will also probably house a pharmacy.

Medicare-Glaser's entry will be one of the first low-margin units in St. Louis. There was talk of a Marc's franchised deep-discount outlet opening, but sources say the prospective franchisee plans to operate the store independently.

According to Medicare-Glaser's president, Harlan Steinbaum, the first unit will be a test, and if results hit projections more outlets will be opened.

For Barney, who served as president of Gray Drug before joining Fisher, the job at Medicare-Glaser is viewed as a "better opportunity. It's an exciting and progressive chain," Barney said.



Fred Barney

Medicare-Glaser is indeed a more stable company than Fisher, which recently posted earnings of only $509,000. Also, the company was just acquired by Carl Lindner, A Cincinnati investor.

Ten-unit Best Buy H&BA chain to go public

WEST PALM BEACH, Fla. —Best Buy Drugs, a 10-unit chain of health and convenience stores, is preparing to go public.

The 20-year-old company, which currently has about 120 private owners, hopes to raise between $1.25 and $1.75 million from the stock sale, which could be consummated this week.

If the sale goes through, Best Buy plans to use the proceeds to launch an ambitious expansion drive in its home market. President Robert Pickett, who is also one of the company's 11 founders, says he hopes to open a total of 40 stores over the next five years.

Ground has already been broken on two stores that will open this calendar year, and the company is about to sign a new lease for a third store.

"We're going to definitely open two stores in 1984, and we may have a total of five opened by the time our fiscal year ends in July 1985," says Pickett. Part of the money would also be spent to at least double the chain's current 6,000-sq.-ft. warehouse as well as to bring in new computers and software programs.

Best Buy earned $150,182 on sales of $9.4 million in fiscal 1983 ended July 31. Sales for the period were up 12% over the prior year, while the earnings put Best Buy back into the black after the chain, in 1982, lost money for the first time in its 20-year history.

The $143,919 loss, said Pickett, was aggravated by a number of factors including the adoption of the LIFO accounting system, the expense of remodeling some existing stores to the company's new growth prototype, and the fact that the chain was highly leveraged at what Pickett feels "was the bottom of the recession."

In fiscal 1984, the underwriters are also anticipating a "small loss" for the company but they attributed it to ambitious investment spending. "They're in the process of converting all their stores to their new prototype," says Steve Hirsh, a broker for Helfer-Broughton, one of the two underwriters. "They've just opened three new stores and they've remodeled one. They're remodeling several more and two more are about to open, but we think these new stores will wind up at break-even or better their first year because they're in excellent locations."

Pickett, who is trying to locate most of his new stores in shopping centers, says he won't even consider a site if it hasn't the potential to crack $1 million.

One of the two new stores under construction is projected to open at $2 million, while the average new prototype store does between $1.4 million and $1.5 million. Break even for a new store is between $1.1 million and $1.2 million.

Best Buy history

The older Best Buy stores average about 6,000 sq. ft., with some as small as 4,500 sq. ft. The new prototype stores, however, are averaging 7,500 to 8,000 sq. ft. with just 500 sq. ft. devoted to stockroom space.

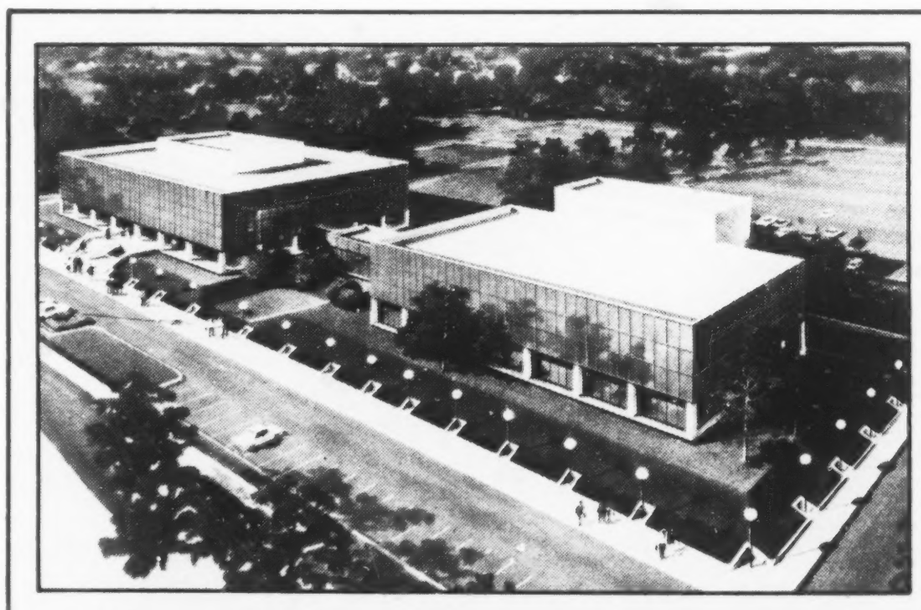
The original Best Buy stores were conventional pharmacy and health and beauty aids stores, but the new prototype, launched in August 1981, is a "mini-combo food and drug convenience store."

The grocery mix, which takes up about 20% of the store, includes packaged groceries, extensive snacks, cold beverages, frozen foods, beer and wine and even a new 500-sq.-ft. service deli.

Food is to the rear of the store against the back and left walls. Pharmacy, greeting cards and health and beauty aids are to the right of the entrance while cold drinks, ice cream and the checkout are to the left.

Pickett will also be putting in a bank of gas pumps in one of the new stores set to open this fall, and Pickett says they will be expanded to other stores "if the test proves successful."

Pickett, who blames the recession for the losses Best Buy suffered in 1982, says he thinks this particular new prototype is "recession proof. I think we've come further than anyone in developing this particular niche for our stores."



Revco's new headquarters

Revco, which had been cramped in its 100,000-sq.-ft. Twinsburg, Ohio headquarters, has completed a 70,000-sq.-ft. extension, and employees have begun to move in. The annex is connected to the 10-year-old original building by an enclosed walkway. Together the buildings have room for 1,000 employees. According to Marvin Solganik, senior vp of real estate, the new building meets the requirements of the chain's current five-year strategic plan. After that, a third 70,000-sq.-ft. structure will be added next to the new annex.

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Vol. 6, No. 10 April 30, 1984

FINANCIAL

Sales up 16.6% at Rite Aid

SHIREMANSTOWN, Pa.—Rite Aid Corp. reported that net income from operations increased 24.6% to $62.1 million for fiscal year 1984, ended March 3.

The drug retailer also reported a $12 million extraordinary gain from the sale of part of its interest in Super Rite Foods Inc.

Sales for the 53-week fiscal 1984 advanced 16.6% to $1.2 billion from $1.04 billion the previous year.

Fourth-quarter net income from operations rose 32.1% to $24.9 million on sales of $365.7 million. Net income, including the gain from the sale of interest in Super Rite, jumped 54.5% to $37 million from $23.9 million during the fourth quarter of last year.

Thrifty income increases 24%

LOS ANGELES—Thrifty Corp. finished the quarter ended Feb. 29 with a net income of $12.4 million, 24% higher than the $10 million reported for the same period last year.

Earnings per share for the quarter were 62¢, up from 50¢.

Sales were $361.4 million, an increase of 10% over last year's $328.2 million.

Earnings for the six-month period ended Feb. 29 rose 24% to $15.5 million from $12.5 million. Earnings per share for this period went up 78¢ from 63¢.

Six-month sales increased 11% to $647.6 from $584.9 million.

Read Classified Ads!

Walgreens profit gain: 27.8%

DEERFIELD, Ill.—Walgreens reported that net income for the first six months of fiscal 1984, ended Feb. 29, increased 27.8% to $40.2 million.

The drug retailer posted sales of $1.37 billion through the first six months, up 16.3% from the previous year.

On a per share basis, net earnings for the first two quarters of fiscal 1984 rose 28.4% to $1.31 from $1.02.

Walgreens' second-quarter net earnings increased 26.7% to $27.7 million from $21.8 million generated during the second quarter of fiscal 1983.

Earnings per share for the second quarter were up 26.8% to 90¢ from 71¢ the previous year.

Second-quarter sales advanced 16.1% to $762 million from $656 million the year before.

Walgreens' president, Fred F. Canning, said the record sales and earnings increases "reflect continuing strong sales and firm control on expenses."

Walgreens' drug store division, which accounts for more than 90% of corporate sales, registered sales increases of 16.4% for the quarter and 16.6% for the first six months of fiscal 1984. The company said that pharmacy generated a "very strong" performance for the first half of the fiscal year.

Net earnings from Walgreens' United States operations for the first two quarters of the year rose 34.6% to $38.9 million from $28.9 million the previous year. For the second quarter, net income from United States operations increased 28.7% to $26.7 million from $20.8 million.

Walgreens' Mexican affiliate, Sanborns, continued to suffer from the faltering Mexican economy. Walgreens' equity income in Sanborns for the first six months of the year was down 51% to $1.3 million from $2.56 million the previous year.

The Deerfield, Ill.-based retailer said that it opened 33 new Walgreens drug stores as of March 31. The chain plans to open a total of 80 stores this year, including several in New York City.

Commenting on the chain's performance thus far, Walgreens' chairman, Charles R. Walgreens III, said that the drug retailer should continue to post record sales and earnings through the remainder of the fiscal year. "Aided by a late Easter that will favorably impact April sales, we look forward to a strong third quarter," Walgreens noted.

Chain drug stocks in broad decline

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
					Change		52-Week		Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil	$ Mil	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	14.38	13.13	13.25	-.75	-5.36	24.88	12.63	-.42	-1.18	-4.29	31.67	1.74	62 F	55.3	40.0	2.4	7.6	.24	3	03-09-84	302.1	-.1	1.5	5.11	5.74	1285
Am Stores	ASC	33.50	29.00	29.13	-2.00	-6.43	44.00	24.97	-.22	-1.53	.78	18.06	3.61	92 F	34.2	62.0	1.5	8.1	.64	2.2	03-22-84	780.1	17.9	1.6	14.11	14.11	1283
Begley Drug	BGLY	16.00	16.00	16.00	.00	.00	24.00	16.00	-.04	.41	-5.17	.00	1.47	1.46 N	NC	-10.0	1.4	11.0	.68	4.3	01-16-84	55.8	1.1	1.1	1.11	1.11	1283
Big B	BIGB	11.13	10.00	11.13	.13	1.14	14.50	9.06	-.14	2.28	1.32	27.88	.53	1.4 F	35.8	22.0	3.0	21.0	.00	0	09-21-83	14.1	.3	3.5	.11	.11	1283
Dart Drug Corp	DRUGA	68.50	64.00	64.50	-3.50	-5.15	148.00	57.00	.32	-.70	-3.06	26.60	5.43	6.32 N	207.2	67.0	3.1	6.9	.13	.2	03-05-84	29.8	.9	9.1	.11	.11	1283
Drug Sys	DRGS	6.25	5.50	5.50	-.75	-12.00	9.31	5.25	-.64	-2.97	1.51	-56.14	.55	65 N	NC	NC	2.6	8.5	.00	0	01-25-84	25.7	-.1	2.6	.11	.11	1283
Eckerd, Jack	ECK	25.00	21.63	22.50	-1.88	-7.69	34.88	21.63	-.41	-.92	-2.69	23.50	1.91	30 S	16.3	6.0	3.1	10.5	1.00	.44	03-12-84	2325.0	44.1	1.1	1.11	1.11	1283
Fay's Drug	FAY	10.88	9.38	9.38	-.75	-7.06	14.50	8.81	-.67	-.66	4.76	23.31	.60	1.3 F	27.6	56.0	2.6	16.5	.14	.14	03-19-84	372.4	6.1	1.1	1.11	1.11	1283
Genovese Drug	GDX	13.99	12.98	13.00	-.99	-8.31	20.50	8.88	-.37	-1.09	-.78	7.77	.96	2.9 F	43.2	99.0	2.0	13.5	.20	.15	03-29-84	193.6	3.1	1.1	1.11	1.11	1283
Hook Drugs	HOOK	21.75	18.50	18.75	-3.25	-14.77	29.75	18.50	-.56	-2.72	1.19	22.04	2.01	4.9 F	32.2	7.0	2.1	9.3	1.00	.53	04-09-84	322.5	5.3	1.1	1.11	1.11	1283
Longs Drg Strs	LDG	43.00	38.25	39.88	-2.38	-5.62	50.13	38.25	-.41	-.40	.78	13.65	3.43	5.1 F	17.4	10.0	3.0	11.6	1.12	.28	02-29-84	1214.4	36.4	1.1	1.11	1.11	1283
Pay N Save	PAYN	21.63	18.00	18.00	-3.25	-15.29	28.75	17.50	.03	-2.11	1.48	-27.31	2.02	6.1 F	43.2	1.0	2.5	8.9	.60	.33	02-17-84	1020.5	1.1	1.1	1.11	1.11	1283
Pay Less NW	PAY	17.00	15.50	15.63	-1.00	-6.02	20.19	14.00	-.10	-.76	-.83	35.31	1.35	2.8 F	26.1	1.0	2.9	11.6	.34	.22	06-18-84	352.3	1.1	1.1	1.11	1.11	1283
Peoples Drug	PDG	33.88	32.75	32.75	-1.00	-2.96	33.88	20.25	-.02	-.30	-16.14	47.37	1.79	3.6 Q	24.3	23.0	1.7	17.8	.28	.9	02-17-84	791.1	1.1	1.1	1.11	1.11	1283
Perry Drug	PDS	15.38	14.63	15.25	.38	2.52	22.38	11.69	-.07	1.34	-5.78	8.96	1.02	3.7 Q	50.0	11.0	1.6	13.7	.24	.16	02-21-84	285.5	4.5	1.1	1.11	1.11	1283
Revco Drug	RDS	32.88	31.00	31.25	-.75	-2.34	37.50	26.50	.07	-.18	-1.22	8.50	2.13	5.6 N	29.7	24.0	3.7	12.8	.68	2.2	02-17-84	1790.8	68.5	1.1	1.11	1.11	1283
Rite Aid Corp	RAD	19.50	17.88	19.00	.63	3.40	23.44	17.88	-.11	.84	9.74	8.99	1.47	2.9 F	24.5	31.0	5.1	12.9	.40	.21	01-30-84	1223.3	62.0	1.1	1.11	1.11	1283
Thrifty Cp	TFD	14.75	11.50	13.25	.25	1.92	25.25	11.50	-.59	.58	4.26	-15.99	1.13	2.3 Q	24.7	18.0	1.9	11.4	.52	.39	02-06-84	1187.8	22.5	1.1	1.11	1.11	1283
Walgreen Co	WAG	34.63	31.50	31.63	-1.88	-5.60	40.38	28.50	-.17	-.96	.26	-1.25	2.24	4.6 Q	24.4	34.0	2.9	13.5	.72	.23	02-10-84	2360.6	69.0	1.1	1.11	1.11	1283
Wholesaler's transactions																											
Bergen Bruns	BBCA	24.63	23.38	23.63	-1.00	-4.06	39.50	21.00	.20	.44	-1.43	-11.52	1.60	2.2 S	14.6	38.0	1.4	13.7	.32	.14	01-26-84	1452.0	83.1	1.1	1.11	1.11	1283
McKesson Cp	MCK	35.00	32.50	34.00	-1.00	-2.86	51.00	32.50	-.41	.55	1.59	21.21	3.44	3.8 N	11.7	5.0	1.6	9.4	2.40	.71	02-24-84	4253.7	83.2	1.1	1.11	1.11	1283
Foxmeyer Cp	FOXM	25.00	24.50	24.50	.00	.00	28.50	22.25	.09	.15	-2.02	-66.55	.94	1.4 N	NC	103.0	.7	17.1	.00	.0	00-00-00	351.1	23.3	1.1	1.11	1.11	1283
Ketchum	KCH	17.38	15.63	16.38	.50	3.15	21.00	11.19	.40	.80	-2.24	-41.45	.89	5.1 N	113.3	97.0	.4	17.1	.00	.0	09-26-83	211.4	9.1	1.1	1.11	1.11	1283
Owens & Minor	OBOD	13.75	12.88	13.25	-.50	-3.64	19.25	12.88	-.25	.12	1.26	2.47	1.41	6.4 F	83.1	8.0	1.2	9.4	.36	.27	03-09-84	255.2	3.0	2.8	1.11	1.11	1283
Spectro Indus	SPO	18.50	17.38	18.13	.13	.69	28.75	15.50	.18	1.10	1.53	58.99	1.35	3.1 N	25.0	48.0	1.6	11.7	.14	.8	03-30-84	339.1	5.4	1.1	1.11	1.11	1283
Manufacturer's transactions																											
Abbott Labs	ABT	41.88	38.25	40.88	.75	1.87	53.38	38.25	-.10	.08	-.61	32.07	2.86	4.9 F	20.6	28.0	11.9	14.3	1.20	.29	04-09-84	2927.9	347.6	1.1	4.00	4.00	1283
Am Home Prod	AHP	53.75	51.88	52.38	.25	.48	54.75	42.88	-.04	.45	-1.37	6.94	4.00	4.1 F	11.4	17.0	12.9	13.1	2.64	.50	02-06-84	4856.5	927.2	1.1	3.11	3.11	1283
Baxter Travenol	BAX	17.13	16.38	17.00	-.13	-.73	31.31	16.38	-.20	.57	-.47	-13.07	1.45	2.3 F	18.8	28.0	11.8	11.7	.33	.19	03-23-84	1842.5	281.1	1.1	1.34	1.34	1283
Block Drugs Co	BLOCA	27.25	27.25	27.25	.00	.00	34.47	22.34	.00	.45	3.92	44.44	2.85	4.7 N	17.6	14.0	9.7	8.7	1.00	.37	02-24-84	219.0	21.3	1.1	3.39	3.39	1283
Bristol-Myers	BMY	48.00	44.88	46.13	.88	1.93	48.00	35.75	.25	.89	-.62	-18.53	3.00	4.1 F	15.8	19.0	10.4	15.4	1.60	.35	04-02-84	3917.0	408.0	1.1	1.11	1.11	1283
Carter-Wallace	CAR	24.00	20.75	21.75	-2.38	-9.84	29.00	18.00	-.65	.17	-1.33	41.62	2.12	3.1 N	15.5	35.0	5.7	9.4	.48	.22	02-06-84	289.9	16.5	1.1	1.11	1.11	1283
Cooper Labs	COO	16.00	11.75	16.00	4.75	42.22	16.00	10.38	1.20	2.65	10.48	5.13	NA	NA	NA	NA	NA	NA	.12	.8	03-12-84	NA	NA	NA	NA	NA	1283
Forest Labs	FRX	19.50	16.38	19.38	2.25	13.14	40.75	16.13	-.24	1.50	-.59	16.05	.48	-.02 N	-3.5	57.0	13.4	35.9	.00	.0	01-14-83	18.6	2.5	3.7	1.11	1.11	1283
ICN Pharm	ICN	6.63	6.00	6.25	-.25	-3.85	15.25	4.88	.23	-.54	-5.93	-9.76	.22	-.20 F	-47.6	33.0	5.1	28.4	.00	.0	00-00-00	37.0	1.9	1.8	1.11	1.11	1283
Key Pharm	KPH	17.25	12.00	12.75	-3.13	-19.69	25.94	12.00	.11	-4.50	6.70	53.15	.51	.1 F	50.0	60.0	14.8	25.0	.16	.13	03-12-84	127.3	18.6	1.6	.63	.14	1283
Lilly Eli Co	LLY	65.50	61.13	64.63	3.00	4.87	68.38	56.75	-.08	1.05	1.63	33.26	6.13	7.1 F	13.0	12.0	15.1	10.5	2.90	.45	02-08-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	2.88	2.50	2.50	-.38	-13.04	4.38	2.00	-.21	-1.65	1.52	-37.41	-.49	5.4 Q	NE	-57.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	.41	1283
Marion Labs	MKC	35.50	31.50	32.00	-1.00	-3.03	48.00	27.25	.49	-1.05	1.24	.60	.78	4.3 S	72.8	15.0	8.2	31.4	3.00	.32	03-01-84	3246.1	450.9	1.1	32.92	32.92	1283
Merck & Co	MRK	95.00	91.00	93.50	2.38	2.61	104.63	82.38	-.02	-.03	-1.87	-2.77	6.10	4.9 F	8.7	7.0	13.9	15.3	3.00	.24	02-23-84	1509.2	785.1	1.4	3.91	33.79	1283
Morton Thiokol	MTI	79.25	65.75	74.25	8.63	13.14	83.38	60.00	.57	.45	4.32	37.73	5.15	1.0 S	23.1	17.0	5.2	12.8	1.76	.24	02-23-84	1509.2	785.1	1.4	3.91	33.79	1283
Newport Ph	NWPH	5.50	4.63	4.88	-.50	-9.30	11.38	4.50	-.13	-.12	-2.03	-13.94	-.03	-.09 N	NE	14.0	-3.4	NE	.00	.0	00-00-00	8.6	-.3	3.7	.24	.24	1283
Pfizer Inc	PFE	35.25	32.25	34.00	-1.13	-3.20	44.75	32.25	-.54	-.42	.25	-9.16	2.73	6.2 F	29.3	17.0	11.9	12.5	1.32	.39	01-26-84	3752.0	447.1	1.1	3.11	1.61	1283
Reid Prov Labs	REID	4.25	3.75	3.75	-.25	-6.25	6.09	1.91	.50	-3.28	-2.40	-2.12	.10	.06 S	85.7	64.0	6.1	28.8	.05	.13	12-09-83	11.4	-.1	1.1	.11	.11	1283
Robins, AH	RAH	17.88	16.63	16.63	-.25	-1.48	29.38	16.63	-.16	-.64	-4.16	1.66	2.40	4.2 F	21.2	20.0	10.3	6.9	.68	.41	02-03-84	563.5	58.2	1.1	13.39	13.39	1283
Rorer Group	ROR	30.63	27.63	30.00	1.50	5.26	34.25	25.00	.14	1.87	6.11	7.00	2.02	2.2 F	12.2	11.0	8.9	14.9	1.08	.36	02-06-84	475.3	42.4	1.1	2.18	10.43	1283
Scherer RP Co	SCHC	13.13	12.50	13.00	.13	.97	29.63	12.25	-.28	.51	-5.70	20.22	1.13	-.39 N	-36.7	*2.0	5.2	19.4	.32	.25	03-14-84	169.7	8.8	1.1	4.57	10.88	3383
Searle, GD	SRL	48.63	45.13	45.25	-.75	-1.63	55.88	36.63	.05	-.36	-2.84	2.73	2.39	-.17 F	-6.6	14.0	11.6	18.9	.52	.11	02-06-84	946.0	110.0	1.1	4.13	3.32	1282
Squibb Corp	SQB	46.00	43.00	43.00	-2.50	-5.49	55.63	38.25	-.10	-.71	.38	-16.80	3.31	3.0 F	9.9	6.0	9.8	13.0	1.44	.33	02-10-84	1768.9	173.3	1.1	6.54	2.29	1282
Sterling Drug	STY	26.38	25.38	26.25	.25	.96	29.63	23.50	.31	.77	5.25	23.68	2.24	.07 F	3.2	8.0	7.2	11.7	1.12	.43	02-09-84	1901.2	136.8	1.1	1.13	14.16	1282
Syntex Corp	SYN	40.25	37.75	39.13	.63	1.62	62.50	37.75	-.28	.20	-1.03	-8.49	4.30	4.0 S	9.9	36.0	17.2	8.8	1.60	.41	02-06-84	870.2	149.3	2.2	3.37	13.11	0783
Thompson Med	TM	20.50	17.25	19.88	1.75	9.66	26.00	12.75	1.04	1.49	3.24	-7.63	1.65	4.9 F	42.2	89.0	11.0	12.0	.40	.2.0	03-26-84	149.4	16.5	4.5	.00	4.53	1182
Upjohn Co	UPJ	66.00	59.75	65.75	5.63	9.36	68.75	50.75	.46	1.54	6.06	-11.09	5.28	1.1 F	26.3	1.0	8.1	12.5	2.56	.39	03-30-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	34.38	33.00	33.25	-.63	-1.85	36.75	26.38	.07	-.07	-3.14	2.62	2.51	4.6 F	22.4	-2.0	6.5	13.2	1.48	.45	02-06-84	3108.3	200.5	1.9	1.53	11.75	1283

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

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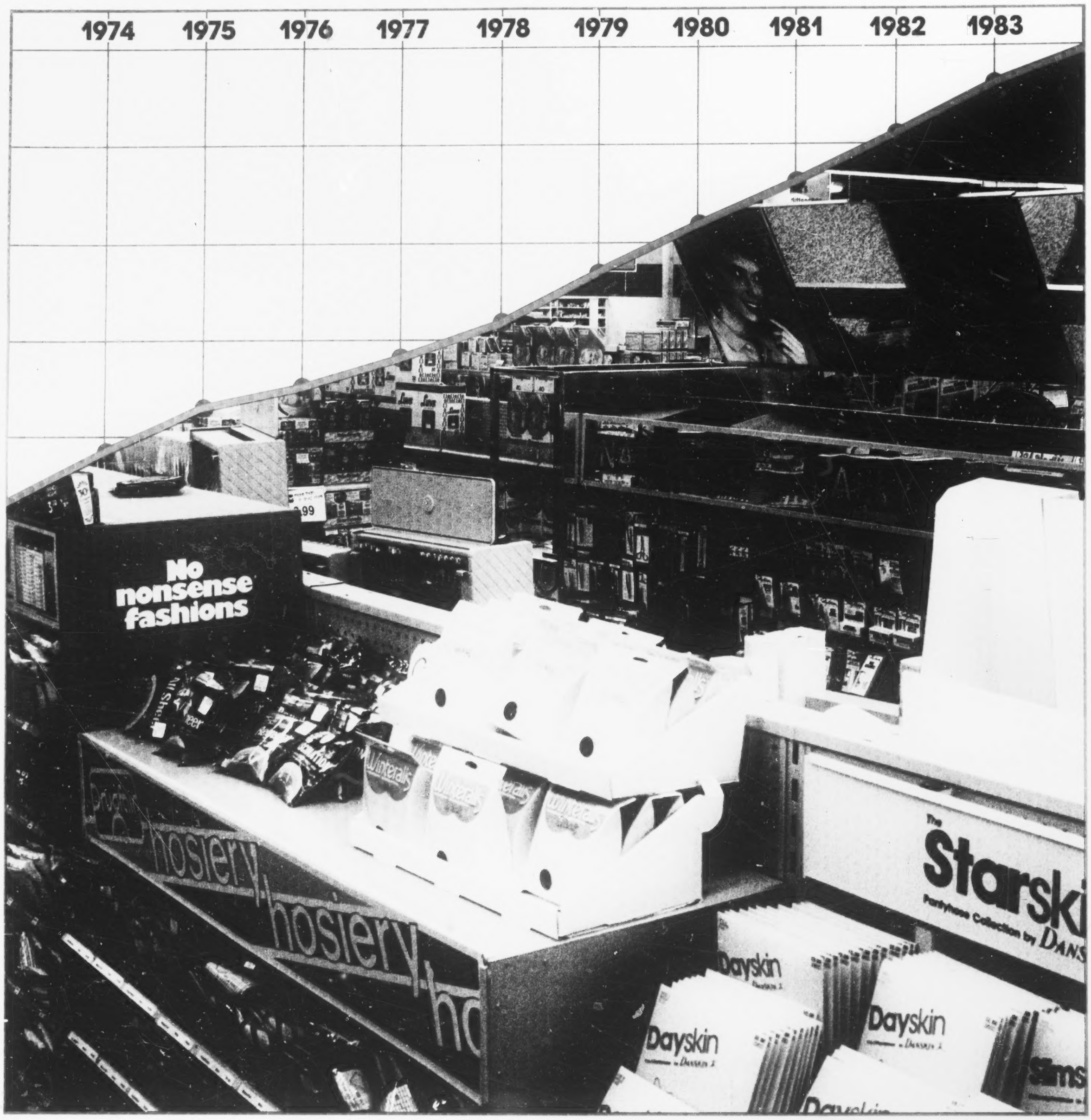
DRUG STORE NEWS®

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY



'83 chain drug sales jump 11%

For the chain drug industry, the past year has been one in which many of the promises of 1982 were fulfilled.

The previous year, chains had been tested by the faltering economy, but they had emerged in good shape, leaner and tougher. And the lessons learned in a tight economy carried over.

As the economy mended and inflation remained quiescent, consumer confidence rebounded, and drug chains were among the beneficiaries, with sales rising 11% to $22.8 billion and profit growth running even higher.

The record profits earned by chain after chain were partly the result of lowered inflation, which cut LIFO charges, partly of lower interest rates and partly of the leaner operating styles adopted in 1982.

Apart from the record operating results, the past year was marked by a number of trends and highlights. Among them:

—The reawakening of aggressive growth strategies that characterized earlier years. Chains that had pulled back on the reins, began to loosen them once again as increases in interest rates and building costs slackened and shopping center developers began to return to action. Revco, for example, appears likely to meet its current-year goal of 110 to 120 new stores after a year in which the world's largest drug chain was able to achieve only half of its objective of 10% growth in retail footage.

—With more cash to invest, chains branched out aggressively into other businesses—both retail and nonretail. Drug chains had long hedged their retail drug bets with side wagers on other types of ventures. But there was a flurry of diversification activity this past year that made other years seem tame by comparison.

—On the acquisition front, chains remained subdued for much of the year, preferring instead to concentrate on strengthening their share of existing markets with small buys and new store openings.

But the new year brought a block-

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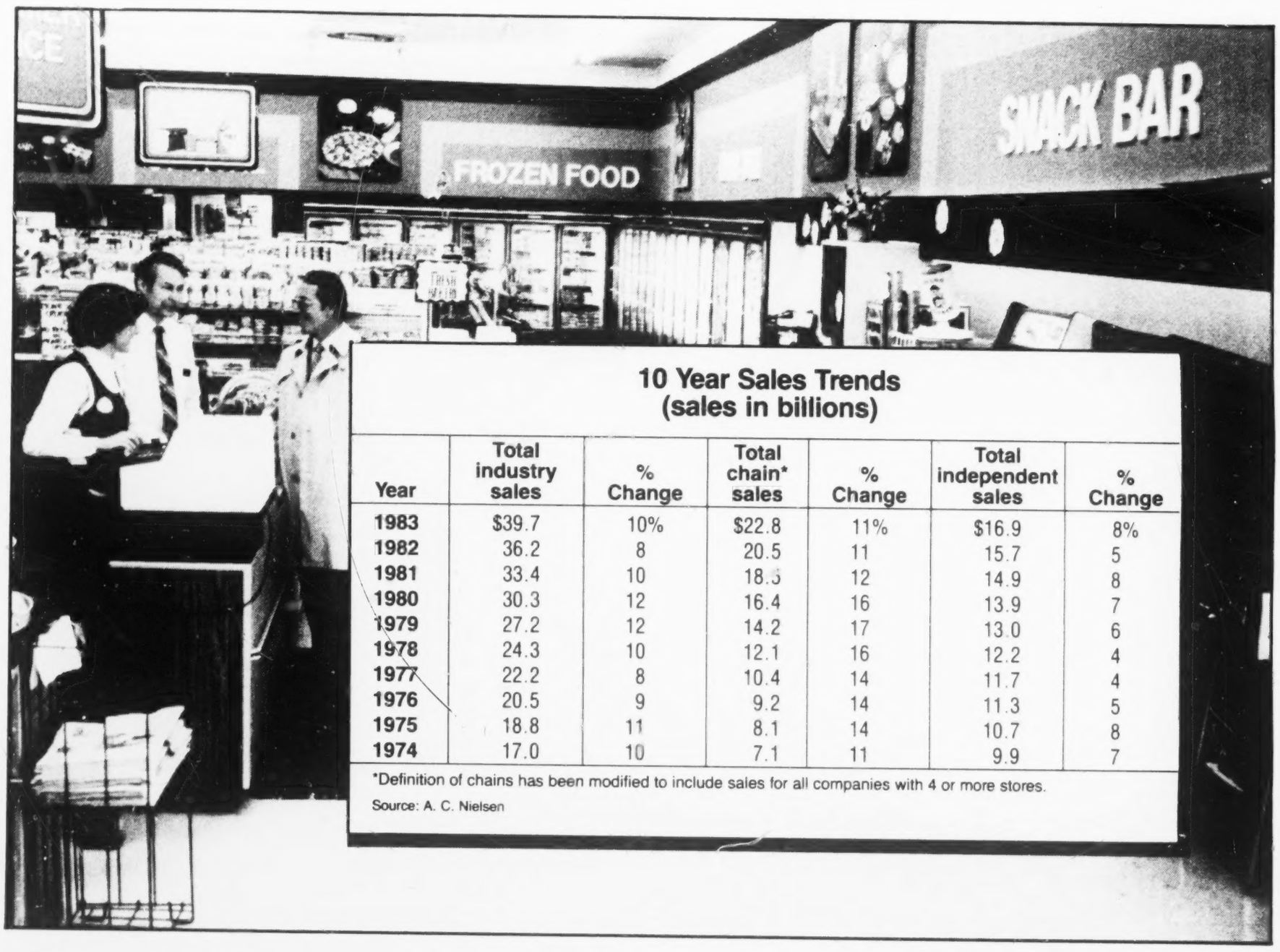
buster: Imasco Ltd., parent company of Shoppers Drug Mart, Canada's largest drug chain, made a $320 million offer to purchase Peoples Drug Stores, the 11th largest American drug chain. It was the largest acquisition ever in the chain drug industry, and Peoples became the first major American chain to be purchased by a foreign company.

The deal was a good one for both companies. Imasco got a well-managed and expansion-minded drug chain, and Peoples would get access to additional resources for its growth objectives.

—Technology assumed an even greater part in chain operations. The pharmacy computer, with its power to improve productivity and enhance the pharmacist's role as a health care specialist, made its way into more and more prescription departments . Virtually every major uncommitted chain finally made the decision to go chainwide, following several years of careful testing.

Many chains also began tests of checkout scanning as the cost of the equipment came down and the percentage of UPC-coded items increased. For the drug chains, higher throughput at the checkout counter was far less important than the chance to improve accuracy and swiftness of price updates, get a better handle on item movement and strengthen inventory control. In this, the role of the MIS executive became even more crucial.

—The year brought other highlights, which are detailed in the pages that follow. They included: Eckerd's return to strong profit growth after two years of flat earnings; Walgreens' decision to renew its attack on the New York City market and Pay 'n Save's acquisition of a wholesale company—Northwestern Drug—and the controversy that ensued.



10 Year Sales Trends (sales in billions)

Year	Total industry sales	% Change	Total chain* sales	% Change	Total independent sales	% Change
1983	$39.7	10%	$22.8	11%	$16.9	8%
1982	36.2	8	20.5	11	15.7	5
1981	33.4	10	18.5	12	14.9	8
1980	30.3	12	16.4	16	13.9	7
1979	27.2	12	14.2	17	13.0	6
1978	24.3	10	12.1	16	12.2	4
1977	22.2	8	10.4	14	11.7	4
1976	20.5	9	9.2	14	11.3	5
1975	18.8	11	8.1	14	10.7	8
1974	17.0	10	7.1	11	9.9	7

*Definition of chains has been modified to include sales for all companies with 4 or more stores.

Source: A. C. Nielsen

Diversification trend goes into high gear

Almost every week, it seemed, another chain drug company was announcing its plunge into a new type of business.

Smiles, Heaven, A. L. Price, Schuck's, Get It For Less, Ike's, ADAP, Carport: These were just a few of the unfamiliar names that flowed through the news pages during the year.

Behind the headlines was a familiar story: Drug chains were sailing into uncharted waters as a way to direct substantial cash flow into profitable sidelines and at the same time to spread the risk, like good portfolio managers.

The heaviest play was in areas akin to their main line of business, like deep-discount drug and health and beauty aids stores or home health care centers.

But there were other areas poles apart from the drug store industry that chains entered aggressively. Auto parts retailing was a prime example.

Taking a cue from companies such as Perry, Dart, Thrifty and Malone & Hyde, other chains including Rite

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10-Year Sales Share Trends

Year	Total sales (billions)	Chain* share	Independents share
1983	$39.7	58%	42%
1982	36.2	57	43
1981	33.4	55	45
1980	30.3	54	46
1979	27.2	52	48
1978	24.3	50	50
1977	22.5	47	53
1976	20.5	45	55
1975	19.2	45	55
1974	17.5	44	56

*Definition of chains has been modified to include companies with 4 or more stores.

Source: A. C. Nielsen

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Aid and Pay 'n Save acquired automotive chains and made ready to expand them with their substantial resources.

The reason was simple: Auto parts retailing offers net profits in the 4% to 6% range, higher than what the average drug chain generates. Also, the boom in do-it-yourself auto repairs has steadily risen with the price of new cars. Moreover, it's a hard parts business that requires few markdowns.

While deep discounting, home health and auto parts were the main events, there was other action taking place in smaller arenas.

Rite Aid, which the year before had moved into the retail toy business with the purchase of the 128-store Circus World chain, acquired the rights to another retailing concept called Heaven. Started in California, it featured a mix consisting of designer sweat shirts and T-shirts, sophisticated greeting cards and other paper products and nostalgia records.

Rite Aid quickly launched several 3,000-sq.-ft. Heaven stores in the East, and made plans to open more. By early 1984, there were seven Heaven outlets, and Rite Aid was planning 10 to 15 more this year and an even greater number in 1985.

If Heaven was an intriguing name, it was matched by Peoples' new concept in specialty retailing—Smiles. These small (3,000-sq.-ft.) stores, which made their debut in Ohio, carry an assortment of greeting cards, gifts and high-quality bulk and bagged candy. Peoples plans to watch its experiment for a full year before deciding whether to expand.

Perhaps the most active chain in the diversification arena during the past year was a company that had long been one of the diversification leaders—Pay 'n Save.

The Seattle-based chain of drug stores, home centers, apparel outlets and sporting goods stores added three more areas to the list: wholesaling, auto parts retailing and a warehouse-style, membership only outlet called Price Savers Wholesale Club.

Price Savers was announced first. Pay 'n Save targeted Salt Lake City for its first venture into the growing price club phenomenon. These are huge (100,000-sq.-ft.) no-frills, cash-and-carry outlets catering to small businesses and members of organizations, who can realize substantial savings on a wide variety of merchandise by joining the club.

The outlets operate on margins of 10% to 11% and generate high turnover and tremendous volume. The breakeven point is said to be $25 million a year, and projections are that the outlet will eventually do $50 million.

Two more Price Savers have been slated, one in Fife, Wash., and the other in Seattle. Next year, units will be launched in Honolulu and Anchorage, Alaska.

Then, early this year, Pay 'n Save purchased Schuck's, a 58-store auto parts chain. Pay 'n Save paid $70 million to acquire the stores and an 85,000-sq.-ft. warehouse.

But neither Price Savers nor Schuck's stirred as much interest as Pay 'n Save's third diversification move.

In February, the nation's 13th largest drug chain acquired one of the leading wholesale companies in the Pacific Northwest, Northwestern Drug, for $3 million to $4 million.

The acquisition added about $130 million to Pay 'n Save sales, but it brought some problems too. One problem stemmed from the refusal of many pharmaceutical manufacturers to sell direct to retailers or retail-owned wholesalers.

In the wake of the sale, three suppliers—Smith Kline & French, Eli Lilly and Sandoz—announced that, in keeping with their policy, they

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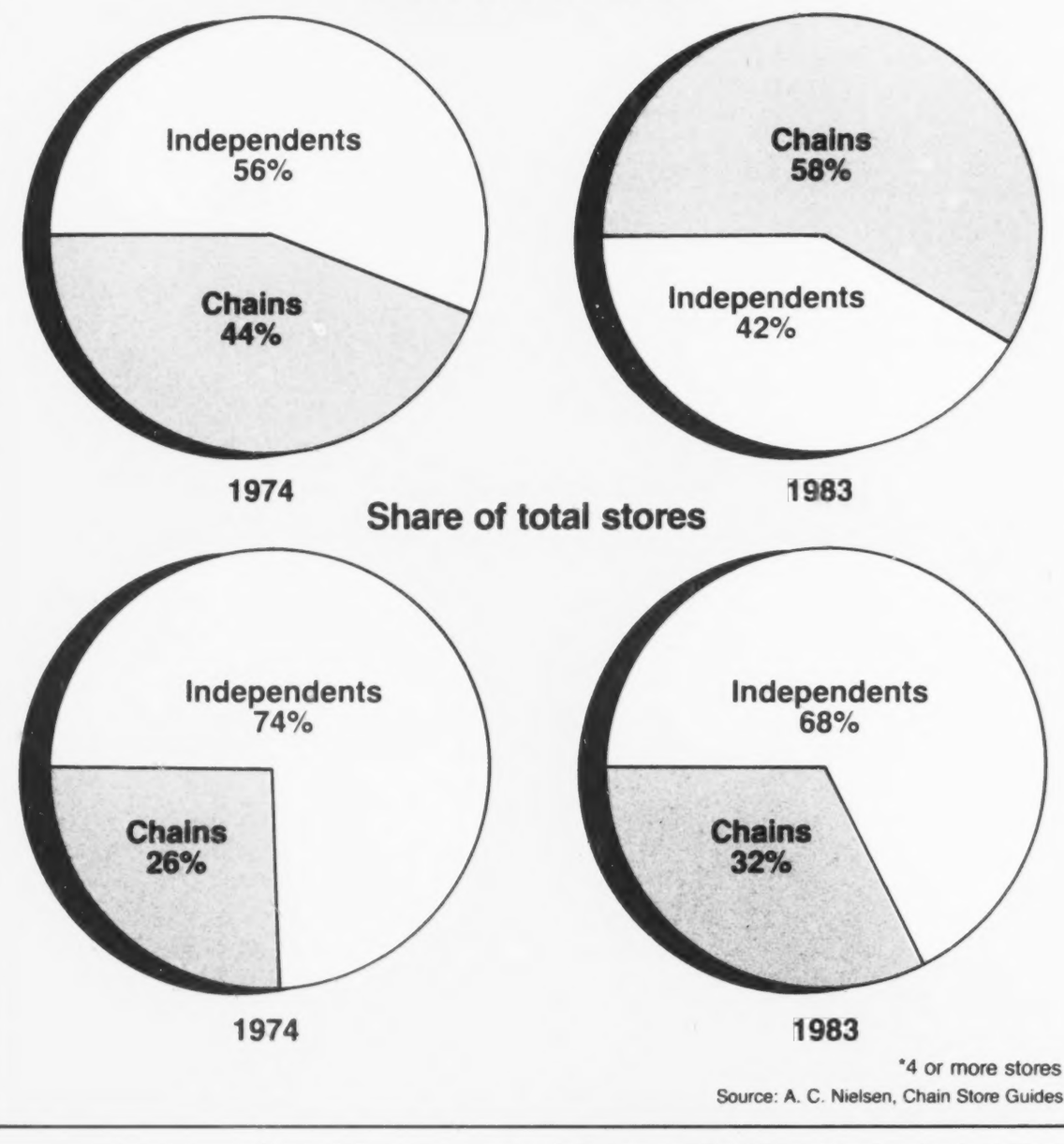
Chains* and Independents: 1974 vs. 1983



*4 or more stores

Source: A. C. Nielsen, Chain Store Guides

10-Year drug store growth trend

Year	Total drug/ proprietary stores	Total chain** stores	Total independent stores
1983	49,500*	15,969	33,531*
1982	49,400*	16,347	33,053*
1981	49,310	14,664	34,646
1980	49,192	14,815	34,377
1979	48,822	15,110	33,712
1978	49,151	14,709	34,442
1977	49,397	14,530	34,867
1976	50,719	13,918	36,721
1975	50,200	13,705	26,495
1974	50,600	13,034	37,566

**Chain is defined as 4 stores or more
*Based on *Drug Store News* projections
Source: A. C. Nielsen, Chain Store Guides

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would no longer sell to Northwestern. But other companies with similar policies failed to follow suit.

The other problem was potentially more devastating: The loss of retail accounts who feared that a competitor, Pay 'n Save, might receive preferential pricing treatment from its wholesale subsidiary or that their confidential data might be leaked to the parent. But while there were a few defections, Northwestern appeared to staunch the flow by promising nondiscriminatory pricing for all customers and complete confidentiality of customer records.

Perry Drug was another chain that moved aggressively into areas outside its traditional drug store business. The chain launched an auto parts business called Auto Works and then opened its first deep-discount outlet called A. L. Price.

With cash from profits including the sale of leased pharmacy departments in discount stores, Perry then acquired Fleenor's, a 50-store chain of auto parts outlets in Indiana, Kentucky and Ohio.

More recently, Perry launched an effort to tap into the huge medical lab services market with its purchase of Bioanalytical Procedures, a laboratory serving doctors, hospitals and nursing homes, with $2 million in sales and pretax profits in the 11% range.

Technology fuels a chain reaction

If it wasn't technological *fever* that gripped the chain drug industry in 1983, it was at least an elevated temperature.

In pharmacies, in distribution centers and at checkout counters, chains installed computerized systems designed to automate people tasks and thereby increase productivity.

While the introduction of pharmacy computer systems and warehouse automation was not exactly a new story, the trend intensified during the year. (See pages 59 and 66.)

But it was the testing of new POS systems—with and without scanning—that excited the imagination of chain drug retailers. With the price of POS systems coming within reach and with the option of using even less expensive hand-held devices, chains were suddenly facing the possibility that they might be able to employ technology that revolutionized the supermarket industry. The increase in the number of bar-coded drug store products was also a big factor in the new trend.

The allure of scanning was its power to capture information beyond the grasp of ordinary checkout systems: How well do individual items move? What are the hot products, the dogs? What effect do ad-

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Top 50 Drug Chains: 1983 Dollar Volume

Rank	Chain	Headquarters	Drug store sales for the latest fiscal year (millions)	Fiscal year ended	% change	Store totals	% change
1.	Walgreens	Deerfield, Ill.	$2,238	8/31/83	16	941	7.00
2.	Eckerd	Clearwater, Fla.	2,006	7/27/83	11	1,371	9.00
3.	American* Stores drug store division	Salt Lake City	1,900[e]	1/29/84	7	397	4.00
4.	Jewel Cos.** Drug store division	Oak Brook, Ill.	1,850	1/28/84	4	498	6.00
5.	Revco	Twinsburg, Ohio	1,792	12/31/83	15	1,661	4.00
6.	Shoppers Drug Mart	Toronto	1,274	3/31/83	15	434	0.05
7.	Rite Aid	Shiremanstown, Pa.	1,093	3/3/84	13	1,128	6.00
8.	Longs	Walnut Creek, Calif.	1,210	1/31/84	8	178	3.00
9.	Thrifty	Los Angeles	1,187	8/31/83	5	537	0.07
10.	Pay Less NW	Wilsonville, Ore.	853	1/31/84	9	149	1.00
11.	People's	Alexandria, Va.	791	9/24/83	15	575	4.00
12.	SupeRx	Cincinnati	790	1/31/84	10	606	7.00
13.	Pay 'n Save	Seattle	756[e]	1/29/84	17	143	-2.00
14.	CVS	Woonsocket, Ohio	734	12/31/83	19	513	10.00
15.	Thrift	Pittsburg, Pa.	588	1/28/84	9	363	3.00
16.	Gray Drug Fair	Cleveland	578	12/31/83	7	402	6.00
17.	Hook	Indianapolis	320	12/31/83	12	282	8.00
18.	Fay's	Liverpool, N.Y.	312	1/31/84	16	100	9.00
19.	Adams	Pawtucket, R.I.	302	12/31/83	6	425	-5.00
20.	K&B	New Orleans	300[e]	12/31/83	13	125	9.00
21.	Pharm-Escomptes Jean Coutu	Longueuil, Quebec	300	6/1/83	20	70	17.00
22.	Boots	Toronto	250[e]	12/31/83	10	183	5.00
23.	Perry***	Pontiac, Mich.	245	10/31/83	14	116	6.00
24.	Dart	Landover, Md.	210	1/31/84	9	72	4.00
25.	Genovese	Melville, N.Y.	194	2/1/84	22	72	9.00
26.	Medicine Shoppe	St. Louis	143	9/30/83	32	420	14.00
27.	Medi Mart	Quincy, Mass.	120[e]	1/28/84	10	54	8.00
28.	Big "B"	Birmingham, Ala.	117	1/30/84	34	94	15.00
29.	Snyder****	Minnetonka, Minn.	100[e]	1/31/84	10	55	2.00
30.	Big "V"	London, Ont., Canada	105	9/30/83	21	67	6.00
31.	Duane Reade	Long Island City, N.Y.	102	10/31/83	15	21	5.00
32.	Carls	Rome, N.Y.	80[e]	12/1/83	4	36	3.00
33.	A. D. Clark	Los Angeles	72[e]	12/31/83	20	18	6.00
34.	Medicare-Glaser	St. Louis	70	3/31/83	21	100	-0.09
35.	Arbor	Troy, Mich.	70	7/31/83	17	35	25.00
36.	Cumberland	Montreal	70[e]	12/31/83	40	18	50.00
37.	Kent Drug	Mississauga, Ont., Canada	67[e]	12/31/83	34	69	33.00
38.	Discount Drug Mart	Medina, Ohio	65[e]	3/31/83	18	17	21.00
39.	Kerr	Raleigh, N.C.	64[e]	6/30/83	18	42	24.00
40.	La Verdiere's	Winslow, Me.	59[e]	12/31/83	7	55	6.00
41.	Standard	Richmond, Va.	58[e]	3/31/83	6	57	6.00
42.	Pathmark***** Drug store division	Edison, N.J.	55[e]	10/29/83	5	17	0.00
43.	White Drug	Jamestown, N.D.	55	3/31/83	6	43	16.00
44.	Super X Drugs	Downsview, Ont., Canada	54	6/30/83	10	59	4.00
45.	Taylor Drugs	Louisville, Ky.	53[e]	9/30/83	4	47	0.00
46.	Pharmacity	North Billerica, Mass.	49[e]	12/31/83	2	22	11.00
47.	Begley drug	Richmond, Ky.	46[e]	3/31/83	7	46	0.00
48.	Ribordy	Valparaiso, Ind.	44[e]	12/31/83	8	25	9.00
49.	Community Distributors	Somerville, N.J.	44	7/28/83	7	22	10.00
50.	Kinney drug	Gouverneur, N.Y.	40	12/31/83	5	25	9.00

*American Stores drug division includes 190 Skaggs drug stores, 70 Skaggs/Alpha Beta combination stores and 137 Rea & Derick drug stores.
**Jewel's drug division includes 202 Osco drug stores, 120 Jewel/Osco combo stores and 176 Sav-On stores.
***Includes 69 auto/drug combination stores and 47 conventional Perry drug stores.
****Just includes sales for Snyder's company owned retail drug store outlets.
*****Includes sales just for Pathmark's 17 freestanding drug stores.

Source: *Drug Store News* survey

How the chain drug industry has changed
(1983 vs. 1974)

	'83	'74	% Change
# of 2-3 store companies	1,409	2,303	39
# of stores run by 2-3 store companies	3,234	5,158	37
# of 4-9 store companies	384	496	23
# of stores run by 4-9 store companies	1,991	2,525	21
# of 10 or more store companies	138	172	20
# of stores operated by 10 or more store co.'s	13,978	10,509	33
# of total chain co.'s (4 stores and more)	522	668	22
# of total stores operated by chains of 4 or more stores	15,969	13,034	23

Source: Chain Store Guides

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vertising and promotion have, in exact terms?

In 1983 the headlines began to tell the story:

- Giant installed scanners in its first freestanding drug store in Bethesda, Md.
- Revco introduced scanners in its first deep-discount store, Get It For Less, in Memphis.
- Eckerd, which already had a programmable nonscanning POS system in place in 100 stores, was now preparing to test the addition of scanning.
- Rite Aid joined the trend with three test stores in the East. The Shiremanstown, Pa.-based chain planned to follow the lead of supermarkets and gradually eliminate item price-marking.
- Pay 'n Save tested a system for three months and was ready to roll it out.
- SupeRx, Medi Mart and Drug Fair of New Jersey were also poised to launch limited scanning tests.

An industry first

The first company to introduce scanning into a freestanding drug store was not a drug chain at all. Giant Food Inc., the Landover, Md.-based food/drug combo operator, opened the country's first freestanding drug store equipped with state-of-the-art laser scanners in Bethesda.

Giant's plunge began a trend that would continue throughout the year: Many of the chains that announced scanning plans were associated with parent companies that had prior experience through their food operations. These included Sav-On, Osco, Pathmark, SupeRx and Medi Mart.

About this report

For this, our 1984 Annual Report of the Chain Drug Store Industry, *Drug Store News* has revised its definition of a chain operation. In previous annual reports, we defined a chain as a company operating just two or more stores.

In 1984, we decided to adopt the National Association of Chain Drug Stores' definition of a chain: a company operating four or more stores. This is also the definition used by the A. C. Nielsen Co., whose industry overview we will publish Sept. 3.

As in earlier years, we have again based our Annual Report primarily on four sources: Our own *Drug Store News* survey of stores operated by the top 100 chain drug companies; *Chain Store Guides'* annual survey of chain drug companies, the U.S. Department of Commerce, and company annual reports.

We also used research generated by A. C. Nielsen and Dun and Bradstreet.

In the Giant store, there were six scanners altogether, four at the checkout counters up front and one each at the pharmacy and cosmetics counters.

At the annual meeting of the Jack Eckerd Corp. in November, chairman and president Stewart Turley told shareholders that the drug chain was about to launch a limited scanning test, designed to find out if the laser devices could increase productivity.

Turley set forth one of the reasons that scanning had suddenly become attractive: "UPC and bar coding now amounts to 60% of the merchandise and 80% of the transactions in drug stores. It's getting close to the point where scanning will be more feasible."

At the outset, Eckerd planned to test in two or three stores.

10-year drug store share trends

Year	% Chain store share	% Independent share
1983	32%	68%
'82	33	67
'81	30	70
'80	30	70
'79	31	69
'78	30	70
'77	29	71
'76	28	72
'75	27	73
'74	26	74

Source: Chain Store Guides, A. C. Nielsen total store estimates

Revco, which introduced scanning technology into its deep-discount Get It For Less store, was now prepared to try a limited test in several drug stores.

But Scott Leeseberg, the chain's vp for management information, sounded a cautionary note: "This is not something we're going to jump into full tilt. We'll begin with a two- or three-store test of both hand-held and slot scanners, probably in stores that are close to headquarters." The proximity to headquarters would allow the chain's top executives to monitor the test closely.

At the same time, the Twinsburg, Ohio-based chain placed a $6 million order for up to 2,000 more programmable POS terminals, upgradable to scanning.

At SupeRx, plans were also under way for a scanning test. Jerry Thole, vp for operations at the Cincinnati-based drug chain, told *Drug Store News* that the one- to three-store test would begin sometime in 1984.

"The main thing we're interested in at this point is developing a system that can do our gross profit testing for us," he said. The test would probably involve both slot and handheld scanning equipment, he added.

Interest in scanning was not limited to the giant chains. Drug Fair of New Jersey, the 22-store company based in Somerville, N.J., was also readying a test.

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Top 50 chains: 1983* store totals

Rank	Chain	Headquarters	Total	% change
1.	**Revco**	Twinsburg, Ohio	1,661	4.00
2.	**Eckerd**	Clearwater, Fla.	1,371	9.00
3.	**Rite-Aid**	Shiremanstown, Pa.	1,128	6.00
4.	**Walgreens**	Deerfield, Ill.	941	7.00
5.	**SupeRx**	Cincinnati	606	7.00
6.	**Peoples**	Alexandria, Va.	575	4.00
7.	**Thrifty**	Los Angeles	537	0.07
8.	**CVS**	Woonsocket, R.I.	513	10.00
9.	**Jewel****	Oak Brook, Ill.	498	6.00
10.	**Shoppers Drug Mart**	Toronto	436	0.05
11.	**Adams Drug**	Pawtucket, R.I.	425	– 5.00
12.	**Medicine Shoppe**	St. Louis	420	14.00
13.	**Gray Drug Fair**	Cleveland	402	6.00
14.	**American Stores*****	Salt Lake City	397	4.00
15.	**Thrift**	Pittsburg	360	3.00
16.	**Hook**	Indianapolis	282	8.00
17.	**Perry**	Pontiac, Mich.	190	4.00
18.	**Boots**	Toronto	183	5.00
19.	**Longs**	Walnut Creek, Calif.	178	3.00
20.	**Pay Less NW**	Wilsonville, Ore.	149	1.00
21.	**Pay 'n Save**	Seattle	143	– 2.00
22.	**K & B**	New Orleans	125	9.00
23.	**Medicare-Glaser**	St. Louis	100	– 0.09
24.	**Big "B"**	Birmingham, Ala.	94	15.00
25.	**Dart**	Landover, Md.	72	4.00
26.	**Genovese**	Melville, N.Y.	72	9.00
27.	**L. F. Widmann**	McElhatten, Pa.	71	16.00
28.	**Pharm-Escomptes Jean Coutu**	Quebec	70	17.00
29.	**Kent Drug**	Mississauga, Ontario	69	33.00
30.	**Big "V"**	London, Ontario	67	6.00
31.	**Super X Drugs**	Downsview, Ontario	59	4.00
32.	**Standard Drug**	Richmond, Va.	57	6.00
33.	**Snyder Drug**	Minnetonka, Minn.	55	27.00
34.	**La Verdiere's**	Winslow, Me.	55	6.00
35.	**Medi-Mart**	Quincy, Mass.	54	8.00
36.	**Taylor Drug**	Louisville, Ky.	47	0.00
37.	**Union Prescription**	Milwaukee	46	0.00
38.	**Begley Drug**	Richmond, Ky.	46	0.00
39.	**White Drug**	Jamestown, N.D.	43	16.00
40.	**Kerr Drug**	Raleigh, N.C.	42	24.00
41.	**Page Drug****	Dallas	42	5.00
42.	**Harco**	Northport, Ala.	39	0.00
43.	**Carls**	Rome, N.Y.	36	3.00
44.	**Arbor Drug**	Troy, Mich.	35	25.00
45.	**Wellby Super Drug**	Portland, Me.	30	11.00
46.	**Kinney Drug**	Gouverneur, N.Y.	25	9.00
47.	**Ribordy Drug**	Valparaiso, Ind.	25	9.00
48.	**Muir Drug**	Grand Rapids, Mich.	25	0.00
49.	**Community Distributors**	Somerville, N.J.	22	10.00
50.	**Pharmacity**	North Billerica, Mass.	22	11.00

*Most recent fiscal year
**202 Oscos, 176 Sav-Ons, 120 Jewel/Osco combos
***190 Skaggs, 137 Rea & Derick, 70 Skaggs/Alpha Beta combos
****14 Pages, 28 Tom Thumb/Page combos

Source: *Drug Store News* survey

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The chain, which was in the process of installing Data Terminal Services programmable registers in its stores, had decided to insert slot and hand-held scanners into checkout systems. Drug Fair was already using scanners to check out merchandise sold in its liquor departments.

1983 Average sales per store

All stores	Chain stores	Independents
$894,300	$1,427,700	$594,600

Source: *Drug Store News*, Department of Commerce

At Drug Fair, at least 60% of the merchandise carries scannable bar codes. Controller Tony Marhan said that on the remaining 40% the chain would afix special price stickers with six-digit item numbers that could be punched into the register. That would automatically look up and record the price.

Customized price file

Medi Mart was relying on the experience of its parent company, Stop & Shop, for the first test of drug store scanning that was set to begin in March. The chain was preparing to use Sweda L70 programmable POS terminals with an in-store mini-computer containing a master item file adapted from the parent company's supermarket master file.

Medi Mart was planning to store in each terminal the item numbers of at least 500 fast-moving products as well as advertised items. The remainder would be stored in the mini-computer in the rear of the store. Special adhesive bar code stickers would be added to products not coded by manufacturers.

For Rite Aid, one of the big potential pluses of its three-store scanning test was the chance to try eliminating item price marking—a first for drug stores. Savings in labor costs was the attraction. According to one chain exec, the savings would probably allow Rite Aid to recoup its equipment investment in a little more than a year.

1983 Breakout of multiunit stores by unit size

2-3 store companies	1,409
# of 2-3 stores in operation	3,234
4-10 store companies	402
# of 4-10 stores in operation	2,171
11-25 store companies	68
# of 11-25 stores in operation	1,062
26-50 store companies	15
# of 26-50 stores in operation	542
51-100 store companies	10
# of 51-100 stores in operation	678
100-200 store companies	12
# of 100-200 stores in operation	1,578
200 stores or more	15
# of 200 stores in operation	9,938
Total # of companies operating multiunit stores	1,931
Total # of multiunit stores	19,203
Total # of companies operating 4 or more stores	522
Total # of 4 or more stores	15,969

Source: Chain Store Guides

Pay 'n Save was using the same combination approach in its roll-out of checkout scanning. Following a 3½-month test of both types, the Seattle-based chain planned to equip a total of 12 stores in its home market by year end. According to chain execs, it will take three to four years to complete installation in the remaining stores.

Expansion surge foreseen in 1984

The past year was not a big one for acquisitions, despite the blockbuster deal involving Imasco and Peoples, but with interest rates remaining fairly stable it's likely that 1984 will bring a resurgence of activity.

Some of the biggest deals during the year involved diversification by the chains, including Pay 'n Save-Schuck's, Rite Aid-ADAP and Perry-Fleenor's.

On the chain drug front, there were some smaller acquisitions, including Eckerd's purchase of 11 Sav-On and Osco stores in Texas, Louisiana and Oklahoma; Revco's acquisition of eight Sommers stores in Texas; Hook's purchase of five Harding drug stores in Illinois, and Rite Aid's acquisition of six Family Drug Stores in Akron, Ohio.

But in the main, drug chains pursued the same strategy they used the previous year: Filling in existing markets with new stores.

In the coming year, chains seem more willing to open their wallets as the economy continues to prosper and as interest rates remain steady. The rate situation has also drawn shopping center builders back into action, and that development will create more sites for the chains.

Many of the drug retailing companies that scaled down their expansion activity in the past two years now smell the opportunity for more rapid growth.

Walgreens, for example, has a stepped-up expansion plan for fiscal 1984 that calls for 80 new stores. In addition to Chicago, major growth is scheduled for the San Francisco Bay area (11 new stores), Milwaukee, St. Louis, and the states of Texas and Florida. A smaller expansion effort is aimed at New York, a market from which the Deerfield, Ill.-based chain had slowly retreated in recent years. There was evidence that New York might be only the first step in the Northeast. Charles R. Walgreen III, chairman and ceo, called that region "one of the most underchained markets in the country."

Fay's schedules 17 stores

Fay's was another chain that planned to boost its expansion efforts. In its most recent fiscal year, the Liverpool, N.Y.-based chain opened 10 new stores. In the current year, Fay's has slated as many as 17. Unlike Walgreens, whose farflung stores make it almost a national chain, Fay's will stick to the markets that lie within a 250-mile radius of its Liverpool distribution center.

Chain stocks: a hot performance

Chain drug stocks put on a sizzling show in 1983.

From year-end 1982 to the close of 1983, *Drug Store News*'s index of 18 publicly traded chain drug stocks rose from 100 to 146.

If a savvy investor could have spread his money evenly over the total number of stocks, the performance would have meant a capital gain of $46 for every $100 invested.

Chain drug stocks even outperformed the high-flying retail industry as a whole. Kidder Peabody's index of 200 retail stocks increased from 100 at the beginning of the year to 140, six percentage points behind the chain drug stocks.

But if the year-to-year gain was outstanding, the performance for the first six months of 1983 was even better. From the beginning of the year to the end of June, *Drug Store News*'s chain drug stock index increased from 100 to 156.

The hottest performing stocks for the year were Genovese, which rose 150%, Fay's (up 110%), Big B (up 104%) and Dart (up 103%).

But every chain drug stock turned in a strong performance during the year. Even the Jack Eckerd Corp., which had been suffering from flat earnings in the past two fiscal years, rode the bull market to a 12.7% year-to-year stock price gain.

The most volatile performer was Dart Drug, which reached a high of $148 before settling back to $63 at year end. Dart's surge was based on its spinoff of Trak Auto and Crown Books. In fact, in the month following the Trak Auto spinoff, the price of Dart's stock doubled.

Filling in markets

Thrifty, a partner in Crown Books and Trak Auto West, also benefited from the spinoffs, although to a lesser extent because the profits returned to the Los Angeles-based retailing company from the two ventures had less of an impact on total corporate earnings than they did on Dart's profit performance. Thrifty's stock price advanced 88% during the year.

In general, chain drug stock prices have not fared as well in the first quarter of 1984 as they did the previous year. Almost every stock has declined in value from its year-end price, following an overall decline in stock market prices.

The big exception was Peoples Drug, which rose from $25.50 at year-end to $32.75 on April 8. That was a special case, however. The runup was the result of Imasco's $34-per-share offer to buy Peoples Drug Stores at a time when the stock price of the Alexandria, Va.-based was hovering around $25.

1983 Chain drug stock performance

Company	1983 stock prices High	Low	Last	'83 % change	Year-end '83 P/E	Year-end '82 P/E	4/9/84 Price
Adams	24.88	8.83	16.63	+ 77.4	12.8	10	13.25
American	44.00	19.22	39.63	+ 81.5	11.9	10	29.13
Begley	24.00	9.50	16.50	+ 61.3	13.0	10	16.00
Big B	14.50	6.44	13.00	+104.0	27.7	18	11.13
Dart	148.00	29.75	63.00	+103.2	6.7	11	64.50
Eckerd	34.88	23.00	27.75	+ 12.7	14.2	14	22.50
Fay's	14.50	5.69	13.25	+109.9	24.5	16	9.88
Genovese	20.50	5.63	17.38	+150.0	20.9	10	13.00
Hook	29.75	15.34	29.25	+ 86.0	14.3	12	18.75
Longs	50.13	33.75	48.63	+ 36.5	14.8	13	39.88
Pay 'n Save	28.75	15.44	25.88	+ 94.0	11.9	12	18.00
Pay Less	20.19	12.25	18.13	+ 27.0	15.1	14	15.63
Peoples	31.75	16.50	25.50	+ 33.6	14.2	14	32.75
Perry	22.38	8.50	16.13	+ 87.0	15.8	12	15.25
Revco	36.25	25.09	34.63	+ 28.3	15.1	15	31.25
Rite Aid	46.88	28.19	44.50	+ 44.4	16.7	15	19.00*
Thrifty	25.25	8.63	17.50	+ 87.9	18.0	10	13.25
Walgreens	40.38	26.00	38.25	+ 35.9	17.1	15	31.63

*Rite Aid split 2-for-1 Jan. 30, 1984

Source: Media General

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Chains automate warehouses

Chain drug companies effected dramatic changes in 1983 as they moved aggressively to expand and modernize their warehouses and distribution centers. The trend toward centralized, streamlined facilities with state-of-the-art technology continued at a rapid pace as chains focused on cost effectiveness and improved delivery time.

Peoples Drug Stores realized a major goal in its eight-year strategic planning program with the selection of a site in Fredricksburg, Va., for a new $20 million, 500,000-sq.-ft. distribution center. The facility, which will service Peoples 370-plus stores in the mid-Atlantic region, is designed to accommodate as many as 500 stores by 1990.

A key factor in the center's success will be the Advanced Inventory Management System (AIMS) which monitors shipments, providing corporate level marketing departments with more accurate projections of future inventory needs. AIMS is also equipped for automatic reorders of basic merchandise items and provides options for other functions such as forecasting and tracking of promotional deals and co-op advertising.

Eventually, the system will play a critical role in such areas as quantifying optimum space allocations in store planograms and determining optimum gross margin returns on investment.

Expansion effort

In another expansion effort, Revco Drug Stores boosted its warehouse capacity to more than 2 million sq. ft. with the opening of new warehouses in Kansas and Alabama and the expansion of its facility in North Carolina. These three, plus the anticipated construction of a new 400,000-sq.-ft. warehouse in Dallas, are the operational backbone of Revco's five-year plan aimed at managing 2,300 stores.

Once again, technology is the key to Revco's successful operations. An upgraded software program for the IBM System 38 has enhanced worker productivity by fine-tuning batch-picking procedures and streamlining receiving functions, direct put-aways, management of in-storage merchandise and store deliveries. Scott Leesburg, vp of systems, says that although the system was costly initially, it's a must in today's modern warehouse. He projects that Revco will realize a payback on its investment in approximately 2½ years.

Walgreens' third 100% mechanized distribution center in Flagstaff, Ariz., is another success story involving sophisticated computer systems. Computer-guided order processing and stock replenishment, computer-controlled mechanized picks of fast-moving items and scanner reading of bar coded labels on case picks have reduced overall distribution costs by 25% in the past five years for two prior mechanized centers and Walgreens' projections for Flagstaff are just as optimistic.

In many cases, these new units have been able to shave as many as two days off an order cycle, decreasing costs and halving delivery time to their stores.

Costs decreased

Commenting on Flagstaff's predecessor in Orlando, Fla., vp of distribution and manufacturing John Brown says that distribution costs decreased substantially while dollar volume processed through the system has increased by 60%.

Reduced handling costs was also cited as a principal reason for computerized warehouse operations at Thrifty Drug. Its Merchandise Control System (MCS) totally utilizes warehouse space and features automatic matching of receipts and invoices. It reduces accounts payable expenses, shortens the cash receipt cycle and, in addition, provides for zone retail pricing which fosters improvement of gross margins by directly addressing competition in specific geographic areas.

In other developments, Hook Drugs completed a three-year multimillion-dollar expansion and modernization program involving its distribution and service center. It now relies on a warehouse system which has grown to more than 596,000 sq. ft.

One of the major components of Hook's warehouse technology is the Barrett Automatic Guided Vehicle System which replaced the mechanical chain-driven carts formerly used to handle incoming merchandise. Productivity has also been enhanced by the installation of three flow modules from which merchandise is selected for store orders and a shipping cover conveyor system which allows merchandise to be transported directly from filling station to trucks.

Progressive blend

A progressive blend of people and technology characterizes SupeRx's new $10 million, 381,000-sq.-ft. distribution center in Bluffton, Ind. It relies primarily on a double-deck flow rack picking system with swing-reach fork lifts guided by in-floor electrical wires.

The Bluffton center is the fourth such regional facility to service this chain's growing network of stores. It links all but a handful of Phoenix area stores into a centralized distribution system stocked by Peyton Inc., the Louisville-based nonfoods distribution arm of the Kroger Co., SupeRx's parent. Peyton supplies 85% of the pharmaceutical, OTC and H&BA and general merchandise inventory of the stores it serves, eliminating reliance on wholesalers as well as direct-store and jobber deliveries.

In an effort to ease space pressure created by the recent addition of more centrally warehoused lines such as toys, cigarettes and sunglasses, Pay Less NW announced construction of a major distribution center in northern California. Projected size falls within the 600,000- to 800,000-sq.-ft range in order to accommodate the chain's 72 super drug stores in that area. Pay Less also began warehousing prescription drugs for the first time in its 40-year history in a further move to increase centralized distribution.

Computers have been instrumental not only in their application to actual warehousing operations but also in the intricate planning stages which precede construction and expansion.

Eckerd Drug utilized a computer study developed by Bradford Information Systems to select a spot for a new warehouse that would maximize reduced shipping costs. Taking into account such variables as cost per driver and speed limitations, the study can determine which warehouse site can best serve particular retail outlets. A similar system can pinpoint the least expensive routes for drivers delivering merchandise.

Top drug chains in warehousing

Chain	1983 No. of facilities	1983 Total sq. ft.	1982 No. of facilities	1982 Total sq. ft.
Eckerd	6	2,608,000	6	2,608,000
Revco	9	2,195,831	8	1,700,000
Walgreens	6	1,746,000	5	1,546,000
Thrifty	3	1,180,000	3	1,180,000
Peoples	6	1,000,000	6	1,000,000
Rite-Aid	3	980,000	3	980,000
Jewel	2	800,000	2	800,000
CVS	2	689,000	2	649,000
Thrift	3	664,000	3	664,000
Gray Drug Fair	3	625,000	3	625,000
Hook	1	600,000	1	600,000
SupeRx	2	560,000	2	560,000
K&B	2	540,000	2	540,000
Pay 'n Save	2	540,000	2	540,000
Pay Less NW	1	533,000	1	275,000
Dart	1	500,000	1	500,000
Adams	1	410,000	1	385,000
Tom Thumb Page	1	400,000	1	385,000
American Stores	8	388,000	8	388,000
Snyder's	1	363,000	1	363,000
Fay's	1	295,000	1	295,000
Perry	2	288,000	1	224,000
Malone & Hyde	1	210,000	1	210,000
Courtesy	1	175,000	1	175,000
London Drugs	1	169,000	1	169,000
Boots	1	120,000	1	120,000
Rix	1	105,500	1	105,500
Kinney	2	105,500	2	105,500
Pharm-Escomptes	2	100,000	1	66,000
Duane Reade	1	100,000	1	100,000
Standard Drugs	1	100,000	1	100,000
Big B	1	100,000	1	100,000
LaVerdiere's	1	100,000	1	100,000
Carls	1	100,000	1	100,000
Begley	1	100,000	1	100,000
Discount Drug Mart	1	91,000	1	91,000
Kerr	1	88,000	1	88,000
Drug Fair of NJ	1	81,000	1	81,000
Taylor Drug	1	80,000	1	80,000
Medicare-Glaser	1	80,000	1	50,000
A. D. Clark	1	75,000	1	75,000
Arbor	1	72,000	1	72,000
Pharmacity	1	70,000	1	70,000
Harco	1	60,000	1	60,000
Muir	1	60,000	1	60,000
Big "V"	1	60,000	1	60,000
Genovese	1	60,000	1	60,000
White Drug	2	55,000	1	40,000
Longs*	1	50,000	1	50,000
Ribordy	1	50,000	1	50,000
People's Drug Mart	1	40,000	1	40,000
L. F. Widmann	1	40,000	1	40,000
Erickson	1	40,000	1	40,000
Lewis Drug	1	30,000	1	30,000
Douglas Drug	1	20,000	1	20,000
Sentry	1	20,000	1	20,000
Mi-Lo	1	15,000	1	15,000
Mays	1	15,000	1	15,000
Medi Mart	1	13,000	1	13,000
Bartell	1	10,000	1	10,000

*Includes variable leased space

Source: *Drug Store News* Survey

PERFORMANCE

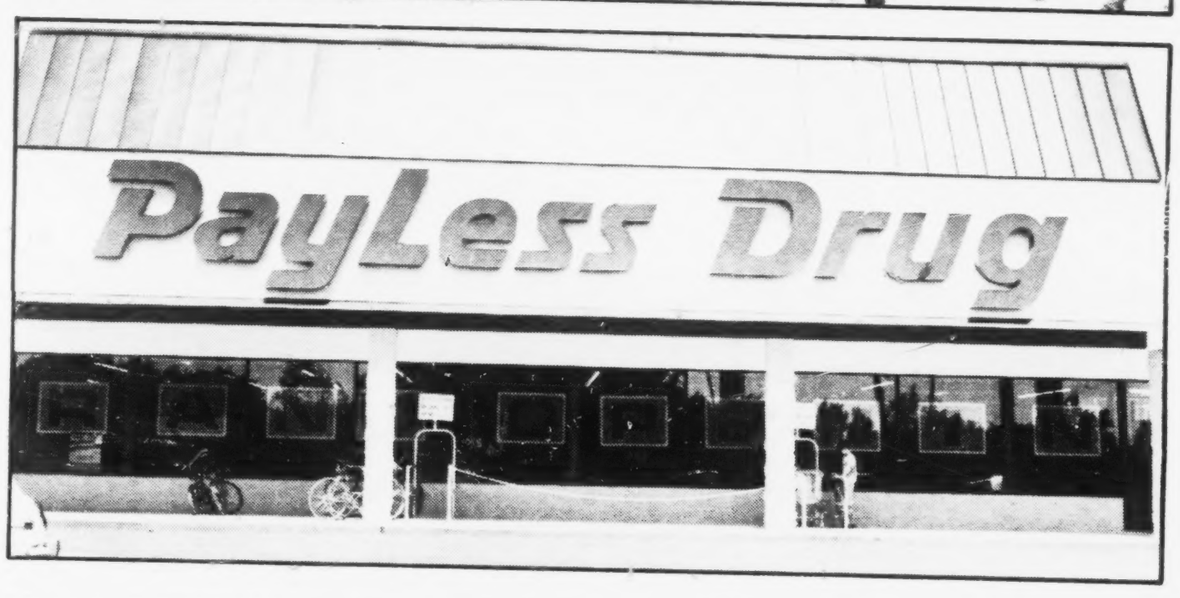
1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

1984 financial scorecard

Total sales*
Add 000

	End FY	'83	'82	'81	'80	'79
1. Walgreens	8/31/83	$2,360,614	$2,039,496	$1,743,471	$1,530,722	$1,344,542
2. Eckerd	8/1/83	2,325,044	2,080,183	1,752,550	1,408,455	1,325,140
3. Revco	5/28/83	1,792,756	1,554,656	1,310,404	1,092,797	927,533
4. Rite Aid	3/3/84	1,223,265	1,049,260**	1,066,474	944,151	811,100
5. Pay 'n Save	1/31/84	1,220,521	1,043,218	949,189	823,390	709,063
6. Longs	1/26/84	1,214 443	1,123,234	1,005,370	893,390	773,251
7. Thrifty	8/31/84	1,187,313	1,126,203	1,054,418	949,304	858,358
8. Payless NW	1/31/84	852,937	784,704	758,529	750,947	380,500
9. Peoples	9/30/83	791,147	688,409	634,292	561,836	441,114
10. Hook	12/31/83	320,528	285,226	261,155	235,503	207,215
11. Fay's	1/31/84	312,368	270,275	238,233	243,117	194,037
12. Adams	12/31/83	302,133	286,247	242,489	207,014	175,754
13. Dart	1/31/84	NA	291,820	276,937	259,900	231,211
14. Perry	10/31/83	285,502	244,272	192,066	136,427	109,275
15. Genovese	1/29/84	193,772	158,651	134,155	122,000	97,447
16. Big B	1/28/84	116,988	87,413	NA	NA	NA
17. Duane Reade	10/31/83	102,225	89,572	NA	NA	NA
18. Medicare Glaser	3/31/83	69,738	57,907	NA	NA	NA
19. Begley	3/31/83	56,786	49,982	47,289	42,774	36,326
20. Rix	8/30/83	34,706	31,576	30,936	29,030	26,239

*Corporate sales have been used; drug store volume has not been separated from nondrug volume.
**Restated to reflect Super Rite offering



Sales Per Store*
($000)

	'83	'82	'81	'80	'79
1. Longs	$6,823	$6,493	$6,206	$5,995	$ 948
2. Pay Less NW	5,724	5,338	5,304	5,000	4,275
3. Pay 'n Save	5,022	4,553	5,496	3,924	3,908
4. Duane Reade	4,868	4,479	N/A	N/A	N/A
5. Fay's	3,062	2,938	2,836	2,190	1,848
6. Walgreens	2,379	2,179	1,911	1,910	1,777
7. Genovese	2,691	2,404	2,199	2,103	1,874
8. Perry	2,012	1,954	1,641	1,406	1,707
9. Eckerd	1,521	1,462	1,413	1,348	1,264
10. Thrifty	1,507	2,113	1,975	1,795	1,660
11. Peoples	1,376	1,243	1,204	1,158	1,106
12. Dart	N/A	1,309	1,620	N/A	N/A
13. Big B	1,182	1,053	N/A	N/A	N/A
14. Hook	1,113	1,049	1,016	916	826
15. Revco	1,079	976	866	876	812
16. Rite Aid	1,066	938	871	849	798
17. Rix	1,052	929	844	764	709
18. Begley	1,010	802	712	663	605
19. Adams	719	642	504	529	426
20. Medicare-Glaser	690	651	N/A	N/A	N/A

*Sales per store: This figure includes drug store volume only, except when this number can't be determined. In such cases corporate sales are used. Sales per store is computed on stores open at year end, and thus the figure tends to be understated. Where available, sales per store open the full year have been used.

Gross Margin (%)*

	'83	'82	'81	'80	'79
1. Hook	34.4%	33.9%	33.6%	35.2%	34.9%
2. Begley	33.4	31.0	32.0	31.8	35.2
3. Duane Reade	33.1	30.0	NA	NA	NA
4. Medicare-Glaser	33.1	33.2	NA	NA	NA
5. Walgreens	30.6	30.5	29.3	29.6	29.8
6. Genovese	29.9	29.9	29.8	29.9	29.9
7. Pay 'n Save	29.9	29.1	29.2	29.5	29.4
8. Perry	29.9	29.8	29.8	30.4	30.5
9. Big B	29.8	29.6	NA	NA	NA
10. Pay Less NW	28.8	25.9	27.4	26.2	27.2
11. Eckerd	28.3	28.7	29.3	29.2	29.3
12. Thrifty	28.2	27.9	27.4	26.7	25.7
13. Rite-Aid	28.2	27.1	22.6	23.1	21.6
14. Adams	27.7	21.5	22.0	22.7	29.1
15. Revco	27.1	27.0	26.7	26.6	26.5
16. Fay's	25.6	24.9	25.3	23.5	25.3
17. Peoples	25.0	25.1	23.8	24.4	23.5
18. Longs	24.6	24.1	24.1	23.4	32.1
19. Rix	7.1	7.6	6.5	9.2	8.2
20. Dart			29.8	21.6	21.8

*Gross margin: Those cases where the cost of goods sold includes other items (occupancy costs, warehousing expenses, buying costs, etc.) reduce both gross margin and the expense ratio. Where possible such costs have been removed and put in operating expenses.

Net income*
(add 000)

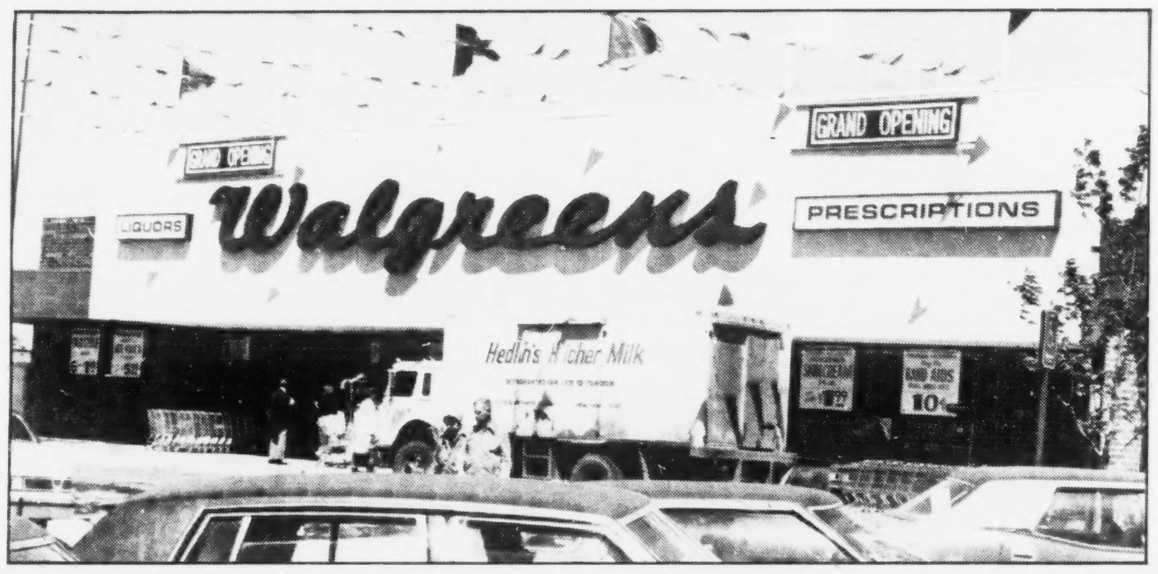
	'83	'82	'81	'80	'79
1. Eckerd	$71,731	$70,681	$78,510	$69,254	$59,303
2. Walgreens	69,789	56,064	42,127	34,813	30,293
3. Revco	66,470	49,638	45,129	38,916	33,636
4. Rite Aid	62,167	49,885	39,852	35,885	30,201
5. Longs	36,387	30,890	30,274	25,862	26,687
6. Pay 'n Save	30,104	16,807	12,897	18,998	19,313
7. Pay Less NW	24,721	19,375	16,649	14,317	12,400
8. Thrifty	22,503	18,302	17,752	14,745	14,200
9. Peoples	13,656	10,483	9,304	8,178	6,457
10. Dart	NA	9,112	4,170	1,385	3,565
11. Hook	8,699	6,592	5,853	7,318	3,373
12. Fay's	8,103	5,479	3,071	923	3,010
13. Duane Reade	7,856	5,507	NA	NA	NA
14. Adams	7,117	4,555	3,437	3,127	2,479
15. Perry	4,545	2,868	3,369	2,363	2,501
16. Genovese	3,856	2,646	1,780	516	1,557
17. Big B	3,471	2,541	NA	NA	NA
18. Medicare Glaser	970	76	NA	NA	NA
19. Begley	807	229	798	963	1,326
20. Rix	227	102	179	250	164

*Excludes income originating from special nonoperational sources.

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PERFORMANCE

for 20 leading drug chains



Net-to-Sales Ratio*

	'83	'82	'81	'80	'79
1. Duane Reade	7.7%	6.1%	NA	NA	NA
2. Rite Aid	5.1	4.8	3.7	3.8	3.7
3. Revco	3.7	3.2	3.4	3.6	3.6
4. Eckerd	3.1	3.4	4.5	4.9	4.5
5. Dart	NA	3.1	1.5	0.5	1.5
6. Longs	3.0	2.8	3.0	2.3	3.5
7. Big B	3.0	2.9	NA	NA	NA
8. Walgreens	3.0	2.7	2.4	2.3	2.3
9. Pay Less NW	2.9	2.5	2.2	1.9	3.3
10. Hook	2.7	2.3	2.2	3.1	3.1
11. Fay's	2.6	2.0	1.3	0.4	1.6
12. Pay 'n Save	2.5	1.6	1.4	2.3	2.7
13. Adams	2.4	1.6	1.4	1.5	1.4
14. Genovese	2.0	1.7	1.3	0.4	1.6
15. Thrifty	1.9	1.6	1.7	1.6	1.7
16. Peoples	1.7	1.5	1.5	1.4	1.5
17. Perry	1.6	1.2	1.8	1.7	2.3
18. Begley	1.4	0.5	1.7	2.3	3.7
19. Medicare Glaser	1.4	0.1	NA	NA	NA
20. Rix	0.7	0.3	NA	0.9	0.6

*Net to sales: This figure represents the percentage attained when net profit after taxes is divided by total sales.

Return on Investment (%)*

	'83	'82	'81	'80	'79
1. Duane Reade	50.1%	34.0%	NA	NA	NA
2. Medicare-Glaser	21.6	1.8	NA	NA	NA
3. Walgreens	21.4	18.7	16.8%	16.8%	17.3%
4. Rite Aid	21.3	19.1	18.3	18.9	18.6
5. Genovese	21.3	16.1	12.6	4.5	1.3
6. Pay Less NW	20.9	18.1	18.2	19.8	18.6
7. Fay's	20.8	23.4	14.7	5.0	16.8
8. Hook	20.3	16.2	15.4	20.2	19.5
9. Revco	20.2	17.4	18.3	19.1	18.4
10. Dart	NA	19.1	13.6	NA	11.2
11. Thrifty	17.4	15.0	15.0	13.7	14.2
12. Longs	17.2	15.5	17.1	NA	19.1
13. Adams	16.5	11.5	9.7	10.2	8.5
14. Peoples	16.5	13.7	13.9	14.6	13.8
15. Pay 'n Save	16.0	10.7	8.8	13.7	15.6
16. Big B	14.6	11.5	NA	NA	NA
17. Eckerd	13.1	13.3	16.8	18.1	16.6
18. Perry	11.5	11.2	14.4	11.6	14.9
19. Begley	8.6	2.5	8.1	9.9	NA
20. Rix	4.9	2.3	NA	5.4	3.8

*Return on investment: The ROI was computed on stockholder's average investment in the firm.

Expense Ratio*

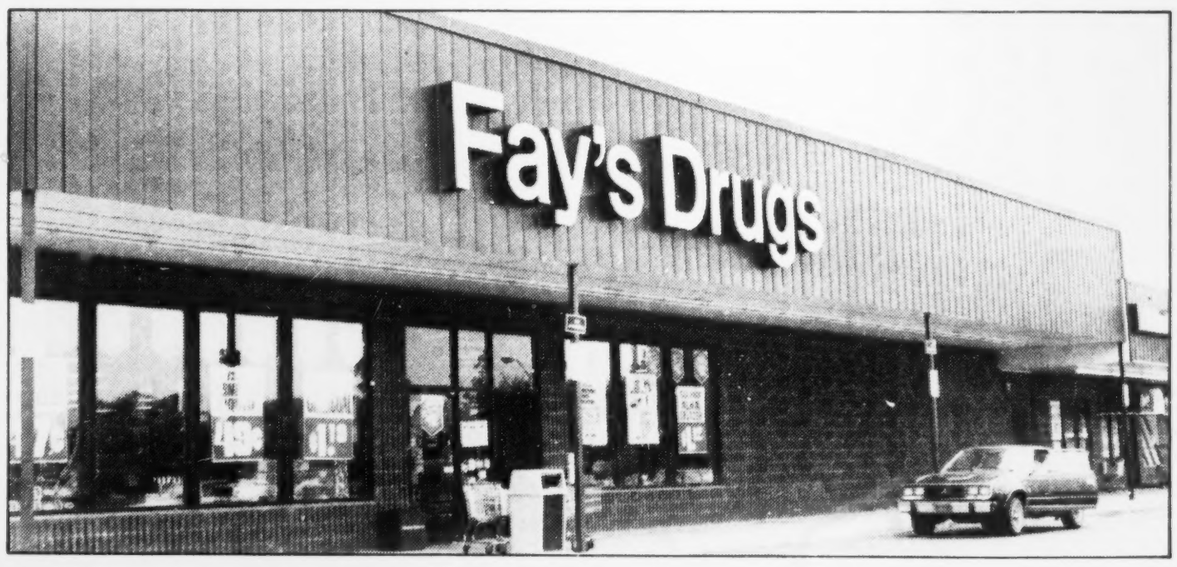
	'83	'82	'81	'80	'79
1. Begley	42.7%	37.8%	40.1%	38.9%	38.0%
2. Medicare-Glaser	28.3	30.1	NA	NA	NA
3. Hook	27.8	28.0	27.4	27.4	28.1
4. Perry	25.9	26.1	25.5	26.1	26.6
5. Genovese	25.0	25.3	26.0	25.2	25.7
6. Walgreen	24.4	25.1	25.0	24.5	25.1
7. Big B	23.7	24.1	NA	NA	NA
8. Pay 'n Save	NA	22.9	23.1	22.3	23.3
9. Adams	21.3	21.5	22.0	22.7	29.1
10. Eckerd	21.0	21.1	20.6	20.6	21.3
11. Pay Less NW	20.8	22.1	20.6	20.0	20.4
12. Peoples	20.4	20.5	19.5	20.0	20.3
13. Rite-Aid	19.9	16.2	13.7	13.6	13.2
14. Fay's	19.5	19.4	21.0	20.9	20.2
15. Revco	19.0	19.6	19.3	19.1	19.7
16. Longs	NA	18.0	17.6	17.1	17.6
17. Duane Reade	15.9	16.5	NA	NA	NA
18. Rix	5.4	5.9	6.1	5.9	6.1
19. Dart	NA	NA	16.1	14.5	17.2

*The expense ratio is for general costs of operation, such as selling, general administrative, occupancy and warehousing expenses as a percentage of sales. Depreciation and amortization have been excluded to have the ratios correspond as much as possible to cash outlays.

Drug stores*

	'83	'82	'81	'80	'79
1. Revco	1,661	1,593	1,514	1,247	1,143
2. Eckerd	1,319	1,238	1,135	1,045	957
3. Rite Aid	1,148	1,055	963	878	800
4. Walgreens	941	833	821	739	688
5. Peoples	575	554	527	485	399
6. Thrifty	537	533	534	529	517
7. Adams	420	446	481	391	412
8. Hook	288	272	257	257	251
9. Dart	NA	223	171	69	75
10. Longs	178	173	162	149	130
11. Pay Less NW	149	147	143	144	89
12. Pay 'n Save	143	142	124	129	111
13. Perry	122	125	117	97	64
14. Fay's	102	92	84	111	105
15. Medicare Glaser	101	89	NA	NA	NA
16. Big B	99	83	NA	NA	NA
17. Genovese	72	66	61	58	52
18. Begley	43	47	51	50	50
19. Rix	33	34	35	38	37
20. Duane Reade	21	20	NA	NA	NA

*Counts are generally for drug stores (or leased departments) unless otherwise indicated.



PERFORMANCE

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Chains to open more combos

Is big *really* better? To judge from the number of combination stores springing up across the country, the answer is emphatically "yes!"

More than one key ingredient is needed to make these modern behemoths successful and although there are a number of different "combinations" in existence, the marriage of food and drugs appears to be the most catalytic.

Why? Chain execs don't hesitate in their response—one-stop shopping with food generating the traffic and drugs boosting the profits. Exact statistics vary but one industry observer, who follows combos in the West and Southwest, puts it simply, "Supermarkets provide ⅔ of the volume and drug stores ⅔ of the profits."

With an average profit margin of 1% on food and 3% on drug, it's no wonder that many chains have become converts to the combo phenomenon. As Larry Nauman, vp of advertising and public relations at Dominick's Food Stores, comments: "It's getting harder and harder to make a living with just food. The combo is an attractive addition because it creates a better mix and sells more nonfood items at a higher margin. The results are on the bottom line."

Dominick's, which operates 76 stores in the Chicago area, is one of the newcomers to the field. The chain's first combo, Dominick's Family Center, opened in November 1983 and, according to Nauman, it quickly became its top-volume store. The 63,000-sq.-ft. center is open 24 hours, although the pharmacy has limited hours, and the breakdown is approximately 80% food, 20% pharmacy and drug store merchandise.

"Since site location, such as a shopping center, is frequently the determining factor for new outlets," says Nauman, "we'll continue to build solo food stores. But we're very pleased with the combo and hope to open several more in the coming year or so."

Chains' commitments to the combo vary substantially but the heaviest influx of this type of store is still to be found in the West and Southwest, where land is cheaper and easier to come by.

Food and drug partnership

Sacramento-based Raley's, one of the pioneers in the combo field, is 100% behind the food and drug partnership in both its combo and superstore formats.

Out of a total of 45 stores, Raley's has 40 combination-type markets and, in 1983 alone, opened four new superstores. Another is currently under construction in Redding, Calif., and others are planned for northern California in the future.

"We have a few freestanding food stores, says Frank McMinn, vp of advertising and merchandising, "but we don't intend to build any more. The combo provides the biggest plus in terms of profitability because the higher margin drug items benefit from the traffic generated by the two-three times a week grocery shopper."

Another chain experienced in combo marketing is Albertson's Inc., headquartered in Boise, Idaho. Albertson's has thrived in the combo business since 1970 and, at last count, 89 out of its 434 stores are combos. Three opened in 1983 and 11 more are on the boards for 1984. The average size is 55,000 sq. ft., although newer stores run approximately 60,000 sq. ft. with a merchandise mix equally divided between foods and nonfoods. The chain recently announced plans to go back into the hot Dallas market, where it will compete with such combo giants as Skaggs-Alpha Beta and Tom Thumb Page. Albertson's also plans a return to Tacoma, Wash.

"It's the popular one-stop shopping that is the chief advantage," remarks Bob Bolinder, vp of public relations. "Combos have bigger volume, better margins and, in some cases, better average sales per square foot." He notes, however, that there is a comparable ROI for Albertson's combos and noncombos, most of which are 44,000-sq.-ft. superstores with pharmacies.

Enthusiastic support for combos is echoed by other large chains such as Safeway, which is going full speed ahead in 1984. Out of a total 1,999 stores, 150 are combos, and that number will increase dramatically this year with the addition of 40-50 new stores.

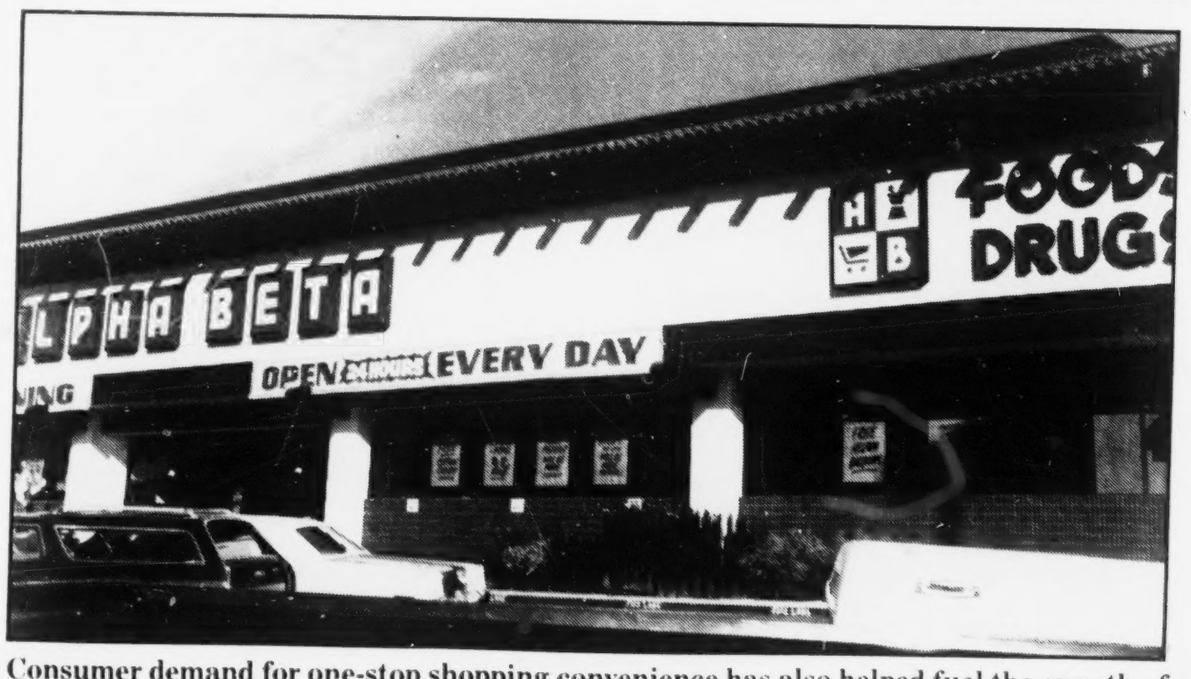
Another leader in the field, American Stores, increased its number of combos by 10% in 1983 (from 70 to 77) and plans to open 20 more this year. It's all part of an ambitious expansion program that the company says will mean 130 combos by year-end 1985.

But combo activity is by no means confined to the area west of the Mississippi. The Eastern Seaboard is steadily claiming its share of the market. Giant Food Inc. has been into combos since 1960 and presently numbers 74 combos among 131 stores. Two more are planned for 1984 with computerized, full-service pharmacies. Giant's newer combos average about 58,000 sq. ft. with pharmacy areas running about 10,000 sq. ft.

Integrated format

One of the principle reasons for Giant's success is its innovative use of an integrated format in some of their newer stores. Boundaries between food and drug areas are more subtly defined and encourage shoppers to move freely among areas, increasing sales of higher-profit toiletries and cosmetics.

"We pioneered this concept and certainly expect it to grow," says Barry Scher, director of public affairs. "Although we have been focusing recently on our nonfood areas in terms of computerizing pharmacies and developing experienced cosmetics personnel, it is really accurate to say that each department in our stores contributes to its overall success. We are committed to that quality across the board."



Consumer demand for one-stop shopping convenience has also helped fuel the growth of combos.

Other chains have found that a mix of stores is better suited to the demographics of their area. The synergistic effect of food and drugs attracted Wellby Super Drugs (Portland, Me.) into the combo field last year. The chain, a division of Hannaford Bros., opened its first 48,000-sq.-ft. combo in November and plans two more 42,000-sq.-ft. centers this spring. Bill Wood, vp, estimates that the higher gross items—health & beauty aids, cosmetics and drugs—typically comprise about 15%-18% of a combo's total merchandise.

While Wellby's is pleased with the combo approach to marketing, it is not limited to it. "Several different formats work in our area," Wood says. "In addition to the combos, we'll have four new super drug stores opening soon, one major expansion and we'll also be keeping our hand in with 7,500-sq.-ft. mini-combos and some smaller-scale, solo supermarkets."

Supers are initiators

As Wood and many others attested to, supermarket chains are the traditional initiators in the combo industry. Supers demand more expertise in a number of areas, such as handling perishables and are often more sophisticated in distribution and scanning techniques. But, an increasing number of drug chains are exploring the combo field successfully, and some, like Wellby's with Hannaford Bros., are able to rely on the food experience of a parent company.

A conservative approach

Another recent entry into combos is Big B, based in Birmingham, Ala. Big B's approach is, perhaps, more conservative than some other chains, but it too has endorsed the one-stop shopping trend. Its first combo opened in August 1982, and it now has four combos out of a total 100 stores. Arthur Jones, vp of finance, says that one more is planned for this fiscal year, and he predicts an average of two per year in the future.

Big B combos, which measure approximately 32,000 sq. ft., are usually divided into ⅔ food and ⅓ drug with the latter featuring the deep discounts offered in Big B drug stores. "We do substantially more volume with the combo than we do with a 9,000-sq.-ft. drug store," remarks Jones. Nevertheless, Big B is still committed to the discount-drug business and, in addition to the combos, will open 15 new drug stores this year.

Combos are undoubtedly big business but, like any marriage, they're not right for everyone. Industry analysts and leaders predict continued phenomenal growth in this area, but they also foresee a varied marketing scenario with mini-combos, superstores, solo supermarkets and discount drug stores claiming their place alongside the progressive combo.

PERFORMANCE

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Pharmacy computer use skyrockets

Explosive growth: That's the only way to describe what happened to pharmacy computers in 1983. This year promises more of the same.

Drug Store News' annual survey shows that some 3,600 pharmacies—22% of the chain drug industry—had Rx computer systems in operation by year end.

In 1983 at least 10 companies followed the lead of chains like Pay Less, Fay's and Thrift in outfitting all prescription departments with computers. They included Walgreens, Standard Drug, Sentry, Arbor, Cook, Keltsch Bros., Kinney Drug, May's Drug Stores, Muir and Medicare-Glaser.

Among the Canadian companies that achieved chainwide installation were London Drugs Ltd. of British Columbia and Pharm-Escomptes Jean Coutu, Quebec.

Executives at Walgreens, which completed installation of its Intercom System, said computerization is one reason why script sales rose 25% during the year.

Intercom allows the Deerfield, Ill.-based chain to keep a file of each customer's script record. The system also provides for an emergency hot-line service that makes drug information available to medical specialists on a 24-hour basis. Also, the system permits transfer of information between hearing-impaired patients and selected Walgreens pharmacies.

Two of the biggest benefits of pharmacy computerization are economic: Improved inventory control and greater productivity.

In an earlier *Drug Store News* survey, chain execs credited Rx computers as being the prime factor in tightening inventory control. Despite the increase in average pharmacy inventory cost—from $33,500 in 1982 to $36,000 in 1983—annual stock turns increased to 7.4 times from seven times the previous year. And cost of inventory as a percentage of sales dropped to 8.8% from 9.2%.

What's more, the highly computerized companies reported dispensing 11 to 12 scripts per hour of operation and 67 to 74 scripts per pharmacist day.

In comparison, companies computerized on a limited basis or not at all were averaging eight to nine scripts per hour and 45 to 49 scripts per pharmacist day.

Gearing for expansion

Among the other chains gearing up for a major expansion of pharmacy computers are the following:

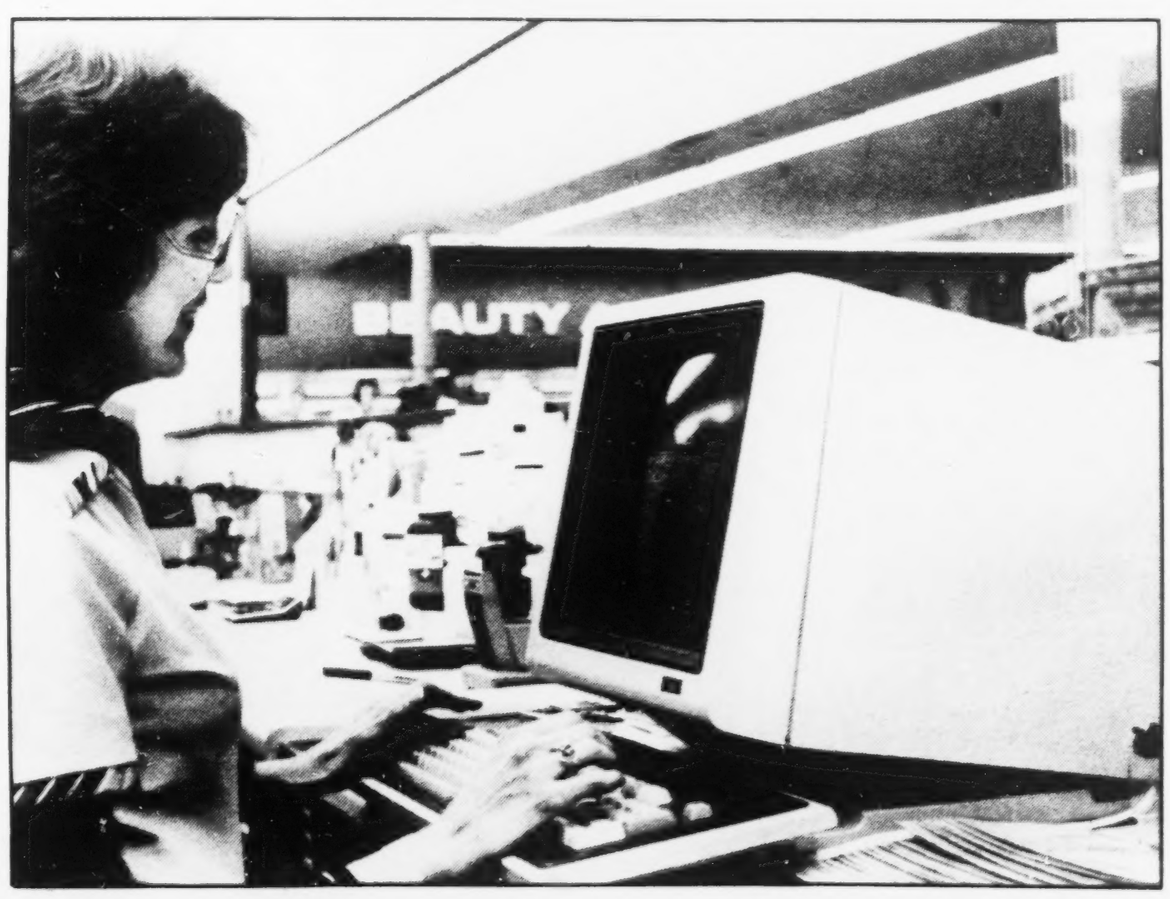
- Eckerd is in the process of rolling out Rx computers to all 1,300 of its prescription departments. Software will be tailored so that pharmacists can computerize transactions with hospitals, nursing homes and clinics as well as with individual patients.
- Medi Mart plans to continue installing POS terminals that can be used in conjunction with its pharmacy terminals. Data retrieved from both the POS and pharmacy terminals will provide management with up-to-the-minute inventory reports for every sku that passes through a cash register.
- Safeway is expanding tests of its IBM Series 1 terminals during 1984, and outlets will also evaluate IBM's point-of-sale scanners. At the same time, Safeway will also be looking at National Semiconductor scanners.
- Los Angeles-based Thrifty Drug Co. is also going the computer route during 1984 in an effort to improve its prescription department's bottom line.
- Perry Drug plans to have 100 pharmacy computer systems up and running in its stores by the end of 1984. One of the chain's goals is to streamline clerical functions in the areas of price updates and third-party script processing.
- Melville, N.Y.-based Genovese Drug Stores began installing pharmacy computer systems midway through 1983. The IBM units will be upgraded so that each store manager can use the system to prepare time and attendance records, purchase orders and cash reports as well as to monitor inventory and buying.

A number of other chains such as Peoples, Gray Drug Fair, Pay 'n Save, Rite Aid, Shoppers Drug Mart and Revco are also continuing to install computer systems in their prescription departments.

Speeding up work

Emphasis is on enhancing patient services, speeding up third-party scripts payment, productivity and fast price updates.

Expanded use of computers continues to play a wider role in chain drug operations, merchandising and distribution as they relate to the pharmacy department. At a minimum these devices are said to provide executives with a tool to improve levels of performance within the pharmacy department. But at their best computers provide new unique ways to improve services and levels of health care provided by the department.



Pharmacy computer installations through 1983

Chain	Headquarters	Units with Pharmacies	Pharmacomputers 1981	1982	1983
Albertson's	Boise, Idaho	117	30	60	80*
Apex	Novi, Mich.	32	0	27	32
Arbor	Troy, Mich.	35	0	28	35
Austin	East Meadow, N.Y.	7	0	1	2
Begley	Richmond, Ky.	46	0	2	3
Big B	Birmingham, Ala.	94	72	83	94
Big V	London, Ontario	67	20	25	30
Boots	Toronto, Ontario	183	7	7	10
Cook's	Flint, Mich.	10	0	0	10
Crown	Advance, N.C.	16	0	1	7
Douglas	North Providence, R.I.	10	0	0	10
Drug Fair N.J.	Branchberg, N.J.	22	20	20	21
Drug King	Van Nuys, Calif.	17	0	0	0
Duane Reade	New York City	24	0	0	5
Eckerd	Clearwater, Fla.	1,317	5	20	400
Erickson's	Hudson, Wis.	13	0	0	6
Fay's	Liverpool, N.Y.	100	84	92	100
Freedom Drug	Exeter, N.H.	8	0	4	8
Genovese	Melville, N.Y.	72	0	6	26
Gray Drug Fair	Cleveland	376	15	31	31
Harco	Northport, Ala.	47	0	1	2
Hook's	Indianapolis	288	18	50	80
Keltsch Bros.	Fort Wayne, Ind.	12	1	5	12
Kinney Drugs	Gouverneur, N.Y.	25	15	23	25
Lewis Self Service	Sioux Falls, S.D.	5	5	5	5
London Drugs Ltd.	Richmond, B.C.	20	9	18	20
Longs	Walnut Creek, Calif.	178	0	11	55
May's	Tulsa, Okla.	11	7	10	11
Medicare-Glaser	St. Louis	100	40	69	100
Medicine Shoppe	St. Louis	546	31	76	151
Medi Mart	Quincy, Mass.	54	0	0	20
Muir	Grand Rapids, Mich.	25	12	16	24
Osco	Oak Brook, Ill.	322	0	0	4
Otto Drugs	Louisville, Ky.	14	3	9	13
Pathmark	Edison, N.J.	17	2	5	8*
Pay Less NW	Wilsonville, Ore.	142	60	90	142
Pay 'n Save	Seattle	145	60	62	79
Peoples	Alexandria, Va.	575	10	30	60*
Peoples Drug Mart Ltd.	Vancouver, B.C.	54	0	18	18*
Perry	Pontiac, Mich.	124	0	15	32
Peterson Drug Co.	Oakfield, N.Y.	17	1	1	1
Pharm-Escomptes Jean Coutu	Longueil, Quebec	70	62	62	70
Rea and Derick	Northumberland, Pa.	117	10	15	25*
Revco Drugs	Twinsburg, Ohio	1,661	10	70	169
Ribordy	Valparaiso, Ind.	25	3	6	12
Rite Aid	Shiremanstown, Pa.	973	0	26	36*
Rix	Auburndale, Mass.	7	0	2	6*
Sentry	Romulus, Mich.	15	5	12	15
Shoppers Drug Mart	Toronto, Ontario	445	25	56	60*
Snyder Drug	Hopkins, Minn.	198	0	1	5
Standard Drug	Richmond, Va.	38	0	0	38
SupeRx	Cincinnati	554	32	42	75*
Super X Drugs	Downsview, Ontario	57	7	10	15
Taylor	Louisville, Ky.	47	0	0	4
Thrift	Pittsburgh, Pa	358	250	325	345
Thrifty	Los Angeles	528	0	0	4*
Tom Thumb Page	Dallas	40	0	0	4
Union Prescription Centers	Milwaukee	118	0	0	7
Walgreens	Deerfield, Ill.	895	50	450	895
Wellby	Portland, Me.	30	0	0	3
White Drug	Jamestown, N.D.	53	2	2	3

*Estimated

Source: *Drug Store News* Survey

1984 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY

PRODUCTS

Chains court home health image

Chains, wholesalers and manufacturers are continuing to expand into the home health care market.

According to a *Drug Store News* survey, there are currently 13 major chains which operate freestanding home health care centers. There are also growing numbers of wholesalers making home health care products available to their retail clients as well as a number of manufacturers who are experimenting with some variation of a home health/convalescent aids center.

On the chain front, Hook Drug in Indianapolis and Harco Drug in Northport, Ala., have pushed for the most aggressive expansion. Hook, which opened its first center in 1977, now has 10 while Harco, which opened its first home health store in 1975, now has six.

Their aggressiveness has since encouraged others to try the concept,

Thirteen major drug store chains now operate freestanding home health care chains.

and today some of the nation's biggest chains, including Walgreens and Jack Eckerd, are testing a handful of convalescent aids stores.

Chain executives are quick to point out that the market for home health care products is estimated to grow to close to $17 billion by 1990. Currently the market is estimated at about $4 billion.

Several of the chains who first went into this market back in the 70's said they felt compelled to make the move because they could see the need for this type of service emerging in and around the pharmacy sections of their existing drug stores.

"We had one customer who needed a hospital bed," says Ron Attaway, a spokesman for Harco Drugs. "We ordered the bed and some other sickroom supplies and it mushroomed from there.

"Before we knew it the demand for health care products was strong enough for us to open a separate store."

According to Bob Begley, chairman and president of Begley Drug, which has four home health care stores, it costs a typical patient about $6,000 to stay one month in a hospital, about $1,200 to stay a month in a nursing home, but just $250 to receive a month's care at home.

"Institutional care," says Begley, "is becoming unaffordable for millions. Couple that with the fact that by the year 2000, one-third of our population will be over 65, and you can see the opportunities for home health care."

Leading drug chains operating home health care centers

Name of chain	Corporate headquarters	No. of home health care centers
Hook Drugs Inc.	Indianapolis	10
Harco Drug Inc.	Northport, Ala.	6
Begley Drug Co.	Richmond Ky.	4
Medicare-Glaser Corp.	St. Louis, Mo.	1*
Peoples Drug Stores Inc.	Alexandria, Va.	2
Genovese Drug Stores Inc.	Melville, N.Y.	1
The Walgreen Co.	Deerfield, Ill.	3
Thrift Drug Co.	Pittsburgh	1
Jack Eckerd Corp.	Largo, Fla.	3
Happy Harry's Pharmacies	Newark, Del.	1
Dunnington Super Drug Inc.	Brockton, Mass.	1
Tiffany Davis Drug Co.	Eugene, Ore.	1
Big B Inc.	Birmingham, Ala.	2

*Scheduled to open in early May

Source: *Drug Store News* survey

Different settings

Most of the chains in the home health care business carry the same types of goods in settings that range from the distinctly clinical to the relatively warm (the products are merchandised in settings that simulate the home environment: bathrooms with towels, bedrooms with curtains, etc.)

The basic mix includes durable medical equipment like hospital beds, wheelchairs; stair gliders; orthopedic appliances; diagnostic aids, incontinence products, ostomy supplies and appliances, surgical supplies, exercise equipment and supplies for physicians and nurses.

Many of the chains do what they've always done in setting a store: they try to match their mix of product to the needs of the neighborhood.

"We try to stock our home health care centers by determining the needs of the area they serve," says Jim Caldwell, assistant vp, health care services for Hook Drugs.

"It all depends on the needs of the physician and the hospitals in the area."

Going to the doctor

Begley's first step in merchandising his store is "to establish reference sources by having store managers call on doctors in the area." The managers are also asked to call on nursing homes, health spas, physical therapists in the area and anyone else who can get the word out on what the store is and what it can provide to a patient with a medical problem.

"We're also set up in store displays on products like ostomy and at the same time we'll reduce the price about 10%," Begley said. "We also advertise our promotions on the radio and in the newspapers."

Although the typical chain home health care convalescent aids store is small, 2,400 sq. ft. or less, inventory investments are quite high ranging from between $100,000 to $400,000 per store.

Stores doing a major portion of their business in rental equipment are forced to carry heavy inventories. "In the first few years, the costs of inventorying can be rough," says one manager of a high-volume convalescent aids store, "but after you pay off that investment, you really start to make money."

Almost all home health care stores do a strong business in ostomy, but a chain like Harco also reports a booming business in high-ticket respiration therapy equipment such as oxygen concentrators which sell for $1,200 to $1,400. Hook does an active business in stair gliders and in nutrition (one of its fastest-growing departments).

Almost all the chains which move into this category feel they are enhancing their health image by being associated with home health care centers.

Harlan Steinbaum, president of

Although the typical home health center is quite small, the investment in inventory is usually high.

St. Louis-based Medicare-Glaser, a chain that has just recently diversified into home health care stores, says his new 3,500-sq.-ft. convalescent aids store will help round out Medicare-Glaser's total health care image.

"We want people to think of Medicare-Glaser as their one-stop health care center," says Steinbaum. "We are becoming more and more health-oriented all the time."

Costs of institutional care spur mkt.

Industry sources indicate that by 1990 sales of home health care related products could soar to an estimated $16.6 billion, nearly half the current sales for today's retail drug market. While many factors are responsible for this rapid growth, economics seems to be the driving force.

Changes in Medicare reimbursements to hospitals now provide for a fixed-fee payment, based on a diagnosis rather than a per diem payment as in the past.

This predetermined fee covers 467 categories based on diagnosis, patient's age, usual and customary treatment procedures, and complications if they exist. Shorter hospital stays and emphasis on continuing care at home are the bottom line.

In a study conducted by The Home Health Care Pharmacy Services Division of The National Association of Retail Druggists, it was revealed that when home health care is used as an alternative to institutions, payments from private medical insurance programs "drop precipitously, from average daily payments of $130 down to $15 according to one state's analysis for Blue Cross coverage."

Another contributing factor to the home health care boom is the graying of America, or increased longevity.

The number of persons 65 years or older has grown dramatically over the past decade. But more astonishing is the number of persons 85 years or older, who, according to the NARD study, are growing at an even faster rate.

"About $100 billion of the nation's total health care bill of $300 billion is spent on these age groups," says the study. Furthermore, the study points out that another consequence of spiraling hospital costs is that "people ineligible for Medicare and inadequately insured find institutional care unaffordable. They opt for home health care when there is a choice."

The NARD study also reports that "home health care marketing leaders, among retail pharmacies, do between 30% and 60% of their volume in home health care product categories."

PERFORMANCE

1984 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY

More chains try deep discounting

The lure of sales volume as high as $25 million per store enticed eight of the top 25 drug chains to venture into the deep-discount drug business during 1983.

This was a departure from the entrepreneurial flair associated with this type of low-margin, high-volume business pioneered by such figures as Bernie Shulman, Fred and Margaret Chen and Marc Glassman. These operations were usually family affairs, where everyone worked long hours to build tremendous volume.

The original F&M, a tiny 4,500-sq.-ft. store in Ferndale, Mich., pumped out as much as $10 million per year, or upwards of $2,200 per square foot.

Now with chains entering the arena, deep-discounting should swell to a cumulative sales volume of $14.5 billion by 1985. Already, these retailing behemoths produce about 2% of the total chain drug store business.

What has made this business appeal to drug chains? For one thing, a deep-discounter can generate in one week the volume that it takes five months to reach in a conventional store. Moreover, the return on investment is greater than that of a typical drug store, once the unit hits the magical break-even point—around $3 million to $4 million. Finally, chains see deep-discounting as an opportunity to diversify or beat the competition in hotbed markets.

Potential pitfalls

But, as Sonny Raichlen of Cecille's, a deep-discounter in Birmingham, Mich., and Phil Wilber, the originator of the franchised Drug Emporium concept, point out, there are pitfalls. Raichlen warns of the high inventory costs—often $1 million and more—as well as the need to move swiftly and precisely. These are both reasons entrepreneurs have fared well in this tricky business.

Phil Wilber adds that the volume figures don't come without hard work. "There's no magic to this business . . . you can't do it without hard work and sweat." Wilber attempts to keep the entrepreneurial spirit present in Drug Emporium by franchising rather than running a chain-like operation.

Despite the potential snags, 1983 marked the year that more drug chains ventured into this form of retailing. Each chain did it in its own way and for its own reasons.

Perry Drug, for instance, opened its first A. L. Price store as a reaction to an incoming F&M. Its second A. L. Price unit, however, was planned and opened in a site where two other competitors—Arbor and Revco—already had conventional stores in place. Its third A. L. Price store will open in an off-price shopping center. Its second store is already exceeding projections and should hit $6 million in its first year of operation.

Other chains played it differently—leap-frogging into new markets rather than cannabilizing its core markets. Wal-Mart, for example, opened its first deep-discount store, called Dot, in Des Moines—miles away from its headquarters in Bentonville, Ark., and miles away from any existing Wal-Mart units. A second Dot store is scheduled for Oklahoma City.

Best chain job

Revco is another chain that migrated to another town to debut its Get It For Less units. Chain drug sources say that Revco has "done the best job by a chain" with its deep-discount entry. Get It For Less stores resemble Drug Emporiums, but also incorporate merchandise from Revco's other venture, Odd Lot Trading. Says Sidney Dworkin, president and ceo, "Odd-Lot merchandise in Get It For Less is making it possible for us to realize break-even point much sooner than we anticipated."

Revco will open another Get It For Less this year and may open a third because "our early results are so promising."

One president of a deep-discount operation believes that testing the waters outside of the home markets is the smart way to enter the business. "Then, you're not competing with your own stores."

Others add that it is only natural that drug chains want to delve into the business, but they predict a "shakeout." Among the chains that either opened or announced plans to open units in 1983 were: Peoples, Perry, Shoppers Drug Mart, Fay's, Genovese, Medicare-Glaser, Pathmark and Wal-Mart. Chains already operating discount units include: Rite Aid, SupeRx, Gray, Heartland, Courtesy, Ribordy, May's and Safeway.

With so many drug chains entering the deep-discount business last year, cumulative sales volume in this market is expected to reach $14.5 billion by 1985.

Chains Join the Ranks of Deep Discounters

Name and Headquarters	Owner	Major markets	Franchised units	Total units
Drug Emporium Columbus, Ohio	Phil Wilber (originator of franchise)	Jacksonville, Tampa, Orlando, Fountain Valley, San Diego, Tucson, Minneapolis, Atlanta, Columbus, Indianapolis, Kansas City, Seattle and Phoenix	22	34
F&M Warren Mich.	Private investors Bill Edwards president	Detroit, Chicago, Indianapolis, Grand Rapids and Toledo	0	14
Rock Bottom Port Washington, N.Y.	Courtesy Drugs	Long Island and Metro New York	0	12
Heartland North Billerica, Mass.	Purity Supreme's Pharmacity division	Massachusetts, Connecticut and Maine	0	9
Warehouse Way Detroit	Chatham Supermarkets	Detroit	0	7
Warehouse Drugs Fort Mitchell, Ky.	Mi-Lo Inc.	Kentucky	0	7
DFL Los Angeles	Safeway	Dallas and Oklahoma City	0	5
Castle Drugs Chicago	Castle Distributors Andy Anderson Lowell Edelson	Chicago, Florida and Oklahoma City	1	4
SuperXtra Cincinnati	SupeRx	Columbus	0	3
Drug Palace Shiremanstown, Pa.	Rite Aid	Ohio	0	3
Marc's Cleveland	Marc Glassman	Cleveland (purchased Shulman's last year)	1	3
Jax Cleveland	Fisher Foods	Cleveland	0	2 (with plans for 1 more)
A. L. Price Detroit	Perry Drug	Detroit area	0	2 (with plans for 1 more)
Freddie's Rochester, N.Y.	Freddie Silverman	Rochester, N.Y., and Boca Raton, Fla.	0	2
Shulman's Florida	Theresa Shulman	Florida	0	1
Get It For Less Twinsburg, Ohio	Revco	Memphis	0	1 (with 2 scheduled)
Ike's Memphis	Malone & Hyde	Memphis	0	1 (with 2 scheduled)
Cecille's Birmingham, Mich.	Sonny and Cecille Raichlen	Birmingham, Mich.	0	1
Gray Cleveland	Gray Drug Fair	Cleveland	0	1
Jote's Cleveland	Jody Fazio	Cleveland	0	1
R-Way Valparaiso, Ind.	Ribordy Drug	Valparaiso	0	1
Right Price Drugs Omaha	Keystone	Omaha	0	1
Pete 'n Larry's Buffalo, N.Y.	Peter Spallino Larry Boni	Buffalo	0	1
Drug Warehouse Tulsa	May's Drug	Tulsa	0	1
Drug Castle Springfield, Ohio	Drug Castle	Springfield (1 planned in Florida)	0	1
Best Buys Melville, N.Y.	Genovese	Levittown, N.Y.	0	1
Dot Bentonville, Ark.	Wal-Mart	Des Moines, Iowa	0	1
Howie's Willowdale, Canada	Shoppers Drug Mart	Toronto	0	1
Super Drug Toronto	Super X Drug	Toronto	0	1
Drug Outlet Toronto	Jack Austin Drug	Toronto	0	1

Source: *Drug Store News* survey

PERFORMANCE

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Exec changes in high places

Major changes at top executive levels had a significant impact on drug chain management during the past year. In an effort to address a variety of business concerns, leading chains turned to seasoned execs both within and outside their companies to redefine objectives and to revitalize established growth paths.

Alvin Towle, a well-known figure in the industry, took the challenging helm of Gray Drug Fair in January 1982 and had completed a sweeping management reorganization when he was "relieved of his responsibilities" in October 1983 by Sherwin-Williams, the parent company. Although sales were up and Towle's rebuilding efforts were gradually progressing, his performance apparently fell short of goals agreed upon when he joined S-W.

Alvin Towle

Less than six months later, however, Towle, whose track record also includes such key positions as vp-general merchandise manager at Eckerd Drug, senior vp-marketing at Peoples and president of Shoppers Drug Mart's United States operations, was hired by Dart Drug to guide its 73-store, Washington, D.C.-based retail drug division. In addition to providing a strong link in Dart's "stretched thin" management team, Towle will direct his expertise to several operational problems that have persisted in the drug division despite a strong overall performance.

In another major move, Eckerd Drug Co. appointed Harry W. Lambert as president in August 1983. Like Towle, Lambert is an aggressive and experienced manager who is credited with much of the recent turnaround of JByrons Eckerd's department store division, which he had headed since November 1978. As a 14-year veteran of Eckerd Corp., Lambert has held a number of other positions including controller, president of two divisions and vp of planning for the drug division.

The managerial and interpersonal skills Lambert utilized so effectively at JByrons have already given a much-needed boost to Eckerd Drug, which just completed the most successful first six months in its history.

Harry W. Lambert

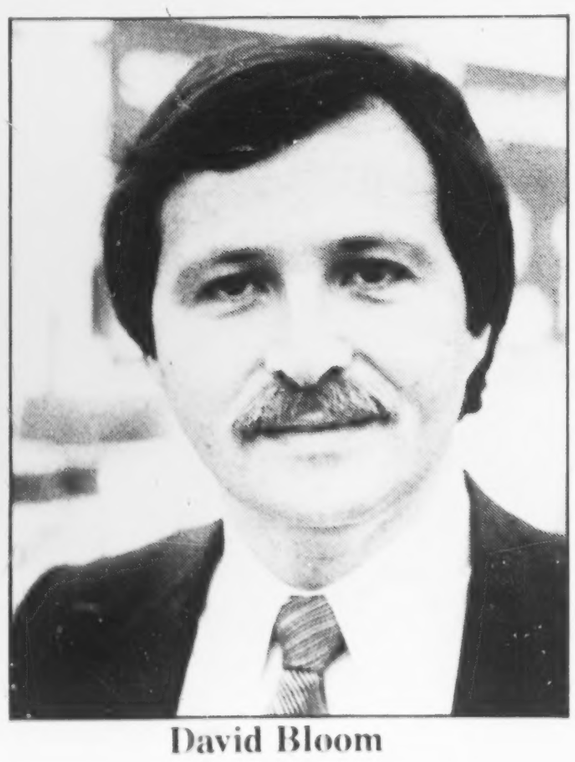
Earlier in the year, David Bloom became president and ceo of Shoppers Drug Mart, owned by the Canadian-based Imasco Ltd. At the time of his appointment in March 1983, Bloom was slated to spearhead a progressive expansion program aimed at doubling the chain's store count and sales by 1990. With Imasco's recent acquisition of Peoples Drug Stores, the results of this effort have become apparent.

Another top exec position was claimed by Larry LaRock who became president of Rea & Derick after one year as their vp and general manager. Prior to that, LaRock had worked for 21 years at the Skaggs Cos.

At the National Association of Chain Drug Stores, Vincent R. Gardner was chosen to head the new Pharmacy and Health Affairs Department. Harold J. Klawitter, formerly vp-professional services at Gray Drug Fair, also joined the department, which is a consolidation of two former departments—pharmacy affairs and health programs.

Management changes

In addition to Towle's departure from the top executive spot, Gray Drug Fair experienced a number of management changes last year. Joel Arnold was named senior vp of operations and Phil Lagnese regional director of operations. Jim Mastrian became regional director of marketing—mid-Atlantic—and both John Kuhn and Randy Schulkers moved into merchandise manager slots.



David Bloom

Gray also announced several shifts in executive responsibilities including Richard Landers to director of visual marketing, Robert Morick to director of H&BA and cosmetic purchasing, John Mirmelstein to merchandise manager for H&BA and cosmetics and for Irwin Livon, who is vp of professional services, the additional task of overseeing purchases of pharmaceuticals and OTC drugs.

At SupeRx Drug, Anthony Fanticola assumed responsibilities as director of merchandising, while George Dozier and Dave Wesloh became merchandise managers.

Fay's Drug initiated several managerial changes including the appointment of David Panasci as vp of real estate and Jim Wuest as merchandise manager.

Heading up the Tiffany-Davis management team in 1983 was Kristy Delaney, who was named president and general manager.

At Eckerd's Rac/Rite division, Bill Campbell was appointed director of merchandising and Zolt Selos merchandise manager. On the vp level, Bob Ramsey added the distribution area to his data processing responsibilities and Bob Smathers became Florida division manager in addition to his post as vp of finance and operations.

Carroll Hudson

Later in the year, Eckerd's Don Perfetto became vp/controller and John Boyle senior vp of finance and administration. Additionally, Gilbert Boenig was named vp, Curt Neel vp of distribution and Joseph Crider manager of the Florida division.

New personnel

As a result of a division of operations at Red Owl/Snyder, Donald Beeler became president of the Snyder division. Rounding out the management team were Gary Hawley as vp and chief financial officer and Bill Vidmar as vp of merchandising and marketing.

Reveo announced the appointment of Neil Roth as assistant vp of purchasing and expanded assignments for two execs. Marc Dworkin became executive vp for operations and marketing, and Carroll Hudson executive vp for administration and finance.

Shoppers Drug Mart restructured much of its management in 1983. Herb Binder and Albert Krakauer filled executive vp positions and Brian Relph and Izzy Snyder were appointed vps of operations. Howard Trifler took over as national vp of retail development and, in the Southeast United States region, Allan Goldman became director of marketing and Joe Cote director of operations.

Robert Arensmeyer

At Walgreens, Wayne Roberts became director of marketing coordination, Dwight Iverson division merchandise manager and Dennis O'Dell manager intercom pharmacy operations.

In other moves last year, Samuel Ray was made vp of human resources at Perry Drugs. He was joined by Berl Falbaum who became director of corporate communications for Perry.

Dart Drug announced that Ben Kovalsky would assume responsibilities as executive vp of purchasing and advertising at Dart Drug and Trak Auto, while continuing as president and chief operating officer of Trak. Also at Dart, Neil Kaplan was named to senior vp of sales and Stephen Hansbrough to senior vp of distribution and data processing.

Rite Aid announced several appointments including Martin Gross as senior vp and Robert Buhrig as corporate vp and director of security.

William Harrison became chairman and ceo at Taylor Drug and Robert Mayer moved into the vice presidency of Taylor's management information systems.

Genovese Drugs announced two major moves—Al Wilent to vp and director of merchandising and Robert McCarthy to vp and director of human resources.

At other chains, Neil Roth became president at Carls Drug and Robert Arensmeyer moved into the executive vp slot at Peoples Drug. Rea & Derick appointed two vps—Charles Ortiz in operations and Bill Hatcher in marketing.

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PERFORMANCE

Execs focus on chain challenges

Growth, productivity, competition, technology, changing consumer demographics—these are among the challenges facing top chain drug executives in the years ahead. Drug Store News *asked some of these execs to evaluate the impact of change in a number of areas, including future growth, technological advances, health care and product mix. Here are their observations.*

Harlan Steinbaum
president
Medicare-Glaser

I see technology assuming more prominence with computers in the pharmacy area and also at point-of-sale locations. By the end of the year, we will have completed the installation of pharmacy computer systems in all our stores, enabling us to provide patient drug interaction monitoring to all our customers.

I think all of us in the industry need to be vigilant in looking at the increased role of government in our businesses, making sure that we operate effectively with minimal government intervention.

Our company is looking forward to a year of continued profitability and plans are being formulated for the opening of several new stores in the near future.

Neil Roth
president
Carls Drug

The technological advances undertaken in pharmacy computers and state-of-the-art computer systems for purchasing and distribution will enable chains to serve customers with improved efficiency that will eventually end up on the bottom line. This, in turn, will increase the viability of drug chains in years to come.

Eli Cohen
president and ceo
Duane Reade

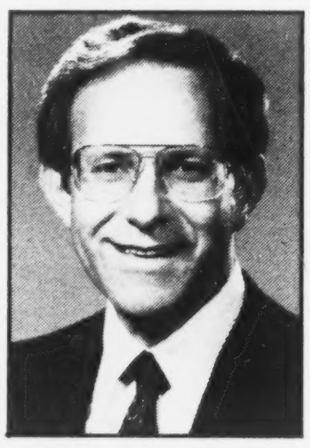
As a New York chain, our problems and perspectives are somewhat unique. Strategies that work for national chains might not necessarily work for us and vice versa. But in 1983, there were two areas where I think we made some significant discoveries. One was new products where I believe we saw the birth of a whole new category: mousse. Just by putting that product on display in our windows and on an endcap, we moved thousands of dozens in just a few weeks. It was the best new product I've seen in 20 years. With 20 stores, we moved three truckloads.

The other critical breakthrough for us was in security. For this fiscal year, we are investing $360,000 in the Checkpoint security system and although it's a major investment, we're anticipating saving millions.

Just this past Christmas quarter alone, we sold three times more fragrances then we normally have for the period and twice as many personal appliances.

We put the Checkpoint tag on each fragrance and personal appliance product and moved them out from behind the service desk onto the endcaps. We always felt we could sell more product if we made these items self-service, but we didn't dare do it before because of shrink. I can't tell you exactly how much our shrink went down, but I do know we sold more fragrances and personal appliances than ever before in our history. We also caught more shoplifters then ever before.

Jack A. Robinson
chairman and ceo
Perry Drug Stores



As we look toward 1985, I think the drug store industry will face additional pressure from increasing competition not only from within the industry itself but from outside as well.

We will have to be very much on guard and develop new methods of merchandising to compete effectively against this very aggressive competition. Perhaps more than ever, we will have to put our ingenuity to the test.

So I see competition as a key issue for the next few years, but I feel very confident, given the managerial, merchandising and other talents within the industry, that we will respond effectively.

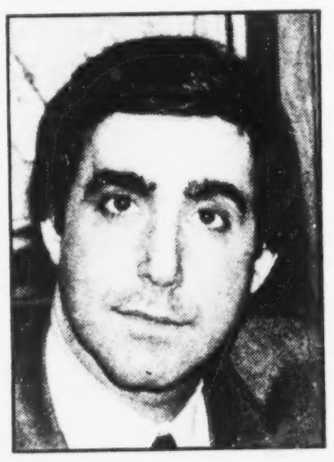
Leonard Genovese
chairman and president
Genovese Drug Stores Inc.

Merchandising, coupled with technology, will be the key to future success. Technological advances will enable us to get a better handle on our industry and, I suspect, that we will work smarter, not harder.

There will be better cost justification with the new systems and we'll become more knowledgeable merchants as computer terminals, in areas such as the pharmacy, provide the opportunity to exercise an increasing number of important controls across the board.

The development of food and drug combos will continue to be explosive.
—Denis Ribordy, Ribordy Drugs

James Salmanson
vp marketing
Adams Drug Co. Inc.



In most cases, the progressive drug chain has many ways to grow. The real estate market has opened up in the past few years and there's been a continued emphasis on remodeling and updating among the chains. I see great growth potential in the addition of pharmacies to the health & beauty aids area, and I believe that our resources and our ability to develop other forms of retailing related to the product mix in drug stores will create tremendous growth for our industry in the future.

Denis Ribordy
president
Ribordy Drugs

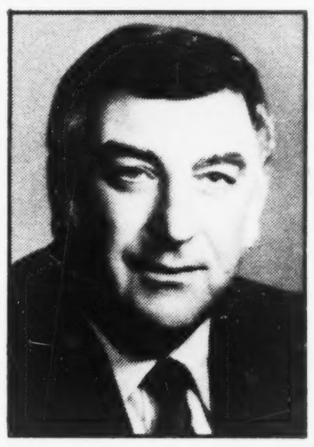
We'll certainly see growth over the next decade, but I don't think it will be quite as fast-paced as what we've witnessed over the past 10 years. Some areas, like the development of food and drug combos, will continue to be explosive. Others, such as specialty shops and mini-combos, will definitely claim a strong place in the market as will the traditional strip centers with their conventional supermarkets.

The technology emerging in our field is mind-boggling. Total pharmacy computerization will be the norm, and the information captured by point-of-sale scanners will ultimately be so quick and so thorough that much of the drudgery and time-consuming nature of information gathering will disappear. We'll all become better managers as a result.

Government regulations will definitely be an area to keep a sharp eye on. The controversy about health care costs will heat up and drug chains will be caught in the middle of it.

I think the basic philosophy of merchandising—to get into new areas whenever possible—will hold true in the coming years. The more lines we carry, the more dollars per family we can count on. There are and will be tremendous areas of opportunity for our industry, but we'll have to be cost-conscious and we'll have to hustle.

Sheldon W. Fantle
president & ceo
Peoples Drug Stores Inc.

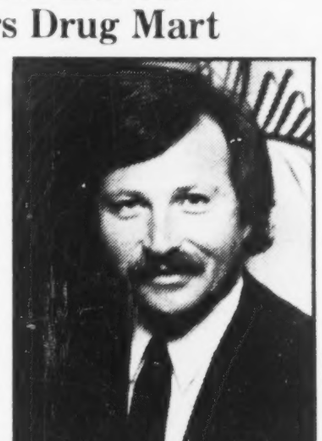


The coming year looks like another good year for retailers, and we think the chain drug industry is still on the leading edge of retailing. Particularly significant, I think, is the recent Dun & Bradstreet study which forecasts a total retail growth of 32% between 1982 and 1986. Drug and proprietary stores are the foremost category shown with a projected 45% growth, slightly ahead of mail order retail's 43% projection.

There is no question that the growing senior citizens market is creating a beneficent cycle for us retailers who have close ties with this powerful segment of the consumer population.

Technological advances will enable us to get a better handle on our industry.
—Leonard Genovese, Genovese Drug Stores

David R. Bloom
president and ceo
Shoppers Drug Mart



The economic recovery that began last year in Canada appears to be continuing and is gathering some momentum in certain sectors of the Canadian

We foresee very positive signs that there will be a resurgence of confidence for the retail industry, and in particular, the drug store industry will continue upward.

Continued on page 77

1984 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY

PERFORMANCE

Technology is one key to growth

Continued from page 75

At Shoppers Drug Mart, we are focusing our attention on three particular areas this year.

Firstly, productivity. We regard productivity as a state of mind, a way of life and a philosophy of business. It is an absolute strategy for survival and growth and we are committed to applying it to every aspect of our business.

Our second focus is on our customers. We have developed a specific program known as "Customers Are Really Everything," or "C.A.R.E." Our commitment at the corporate and store level will be to place an even greater emphasis on our customers' needs and requirements, and continue to deliver on the value and service statement that has been the formula of success.

And finally, our focus is on the continued importance of our profession. We are drug stores first and foremost, and our pharmacists have an important role to play in society. At Shoppers Drug Mart, we played a key role in introducing the "Pharmacists Against Drug Abuse" (PADA) program in Canada, and our commitment is to ensure the successful implementation of that campaign.

F. F. Canning
president and coo
Walgreens

In 1984 we'll see Walgreens continuing its commitment to computerizing information systems, which are becoming increasingly important to efficient retail operations.

Computers already have changed the way Walgreens operates. Several years ago we began upgrading our material handling systems. Last April we opened our third major distribution center in as many years.

All the new centers use state-of-the-art computer technology and this year we allocated $10 million for wide-scale renovation of our older warehouses in Houston and Memphis. Our investment in new warehouse technology has been well worthwhile—unit distribution costs have decreased while service has increased.

Last year we completed chain-wide installation of our computer-pharmacy system, Intercom. The result has been increased efficiency, productivity and customer service at the pharmacy counter. This year we are further expanding store communication capabilities with installation of computer terminals in store offices.

By the end of the calendar year we hope to have all Chicago-region store managers and bookkeepers using our new 'on-line' store administration system, which ties into store cash registers. As we did with Intercom, this system will be installed on a district-by-district basis until all stores are part of a total Walgreen store administration network.

Our investment in new warehouse technology has been well worthwhile.

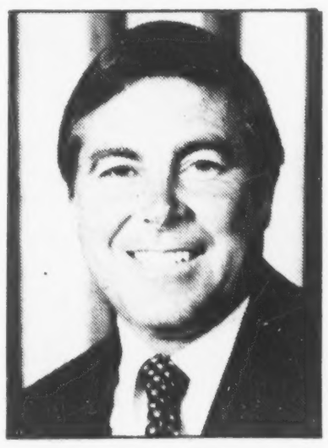
—F. F. Canning, Walgreens

Robert M. Long
president & ceo
Longs Drug Stores Inc.

An important issue facing us in the coming year will be the interfacing of personnel with computers at the store level. We regard the utilization of computer technologies to be of great importance as a contributing factor to our future success. We have, in fact, already committed significant resources in time and money toward this end.

Because we operate on a decentralized basis, our interest is not in exerting more control over our stores by utilization of a computer system. Rather, we are concerned that our store personnel find the computer applications easy to use, that installation and training create as little disruption as possible to normal store operations and that increased efficiencies and productivity be the end result. In essence, we want our already well-qualified personnel to regard computer technology as an additional tool for their use and our mutual benefit.

Gerald L. Wolken
president
SupeRx Drugs



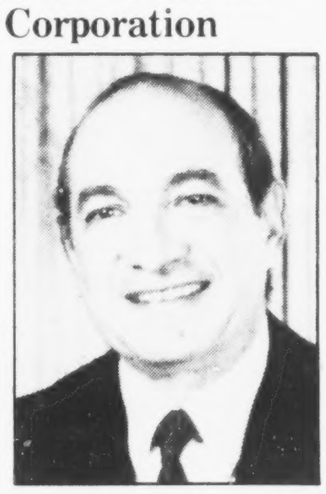
In 1984 we're going to design and execute our plans better. We're going to be re-examining our product offerings because we feel that you have to compete not just with other drug companies today, but with the total universe of retailers. It's really a mixed bag out there. Consumers will respond to nontraditional drug store items.

The challenges before us today are competitive in nature. We face more intense and varied competition. In 1983, we finished placing nearly all of our stores on our distribution system and that will enable us to benefit from lower costs in 1984. We've also seen the maturity of a number of stores that opened two years ago, and that will also contribute to our improved performance.

But many of our stores are in markets where economy is only now beginning to recover, and because of that we haven't developed all of the momentum we had hoped to achieve, but we're beginning to see that momentum develop now, and expect 1984 will be an outstanding year.

I don't expect to see radical changes in store sizes, but we will see changes in store layout, planograms and changes in the various commodity groups. Of course, this will lead to changes in advertised item selection and presentation.

Alex Grass
chairman, president and ceo
Rite Aid Corporation

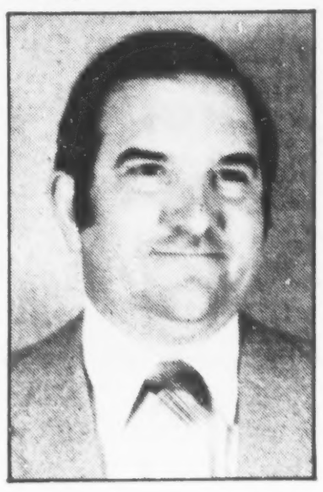


Chain drug progress has been very impressive and I'm optimistic in terms of drug store sales. The Department of Commerce states that for the 1982-83 period, chains with 11 or more stores increased their share just over two percentage points to 55.5% of total drug sales.

This is the largest reported jump and confirms the trend line that has demonstrated an unabated rise for the past 20 years. I believe that share will continue to increase at least one percentage point per year for the foreseeable future.

I'm also optimistic about trends in prescription usage. It has been predicted that the 65-and-over age group will grow two times as fast as the rest of the population and will reach the 35 million mark by the year 2000. The 75-and-older age group is also expected to rise by over 70% within that same time period.

Don Beeler
president
Snyder Drug Stores



One of the major concerns that I see facing the industry is third-party programs: How are we going to handle them and how are we going to make money on them?

We're also conscious of the trend to diversification. We're looking at the one deep-discount store we opened four years ago, Country Drugs, and we're considering the possibility of expanding it to additional markets, maybe even developing a program that would be available to retailers in our independent retail program. It is hard to make deep-discounting work in our home market, however. We have to compete against one of the strongest grocery deep-discounters in the business, Cub, and they are very aggressive in discounting H&BA. So are our own Red Owl Country stores. So is Target. This is their home market too.

I think what our industry is seeing today is a very broad diversification of the drug store concept, and you are seeing a lot of people finding their niches.

Perry Drug is doing a very good job with automotive. We're doing well with convenience foods and with beer, wine and liquor. Retailers are starting to try to understand what their customers need and want, and they're making every effort to give them those things.

You can also see more of a trend to electronic advertising. We're moving that way. We're trying to reach the younger shopper, people aged 24 to 34, and many of them just don't read so you can't just rely on newspapers.

Robert Begley
chairman and president
Begley Drug Company

The chain drug industry has gone in so many directions recently that it will probably be necessary, in the future, to specify exactly what we mean by "chain drug." Increased activity on the part of mass merchandisers and the emergence of the warehouse-type store have changed our field dramatically and promoted significant growth and expansion in several areas.

One of these is the home health care center. Our company presently operates four of these centers and plans have been made to install four or five more in the near future.

Another area to watch is the convenience food and drug store or the mini-combo. This type of outlet is really in its infancy state right now, but, in both its strip and freestanding formats, it will certainly be an important factor in days to come.

With the recent changes in chain drug ownership, I think that the next 12 to 24 months will also see an increase in mergers and pure acquisitions.

As a whole, the chain drug industry is really growing up.

PRODUCTS

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Computer's power sparks chain sales

With pharmacy leading the way, chain drug stores recorded a strong year in 1983 as sales rose 11% to $22.8 billion.

It was a year in which more and more chains began to use the power of computers to aid them in their marketing strategies.

The emphasis was on the core departments and on building the strongest possible health care image. In that, the chains looked to set themselves apart from their food and discount store competitors.

The following is a breakdown of the performance of those key drug store departments.

Prescriptions—The rising price of the average prescription as well as an increase in the number of scripts pushed chain drug pharmacy sales up 13.6% to a new high of almost $6 billion last year. As the Consumer Price Index for pharmaceuticals outpaced the overall CPI by almost 3 to 1, the price of the average script rose 95¢ to $10.60 in chain drug stores.

Drugs/proprietaries—Rx to OTC conversions helped propel 1983 chain drug sales in this department upward by 12.6% to $3.2 billion, second only to pharmacy. Leading the way in sales growth were analgesics, cough/cold, eye and lens care and family planning products. There was also a strong rise in home health care sales.

Toiletries—Driven by strong sales of ethnic products, shampoos, deodorants and suncare products, chain drug toiletry sales rose 11.6% in 1983. Many chains recognized the potential of the ethnic health and beauty aids market last year and either added new ethnic departments to their stores or expanded existing ones. As a result ethnic sales grew 14.5% to $152.7 million. Shampoos also turned in a strong performance last year as sales increased 13.4% to $260 million in chain drug stores.

Cosmetics—Drug chains upgraded their cosmetics mix, promoted more aggressively and were in a better in-stock position on hot items last year. Retailers were rewarded for these efforts as cosmetics sales soared 12.2% to $1.2 billion—the largest sales increase in five years. Even more noteworthy was the fact that drug chains accomplished these results while the entire industry growth rate was only 4%.

Stationery—Strong sales gains in greeting cards, school supplies and home office products powered the stationery department to a 12.1% increase in 1983. School supplies and home office products turned in the strongest performance as sales grew 14.1% to $271.2 million. Larger, upgraded departments helped contribute to the 12.2% increase in greeting cards sales, which reached $352.8 million in 1983.

Tobacco—While statistics indicate that fewer people are smoking, tobacco continues to be the fastest turning category in the chain drug mix. The average tobacco department turns 15 times a year and cigarettes turn at an even faster rate. Overall chain drug tobacco departments rang up sales of $1.8 billion, up 9.6% from the previous year. Tobacco contributed 8% of total chain sales last year.

Candy—Candy sales made a healthy recovery from the Halloween product tampering scares and were back to a $783 million level last year, a 12.5% increase over 1982. Bagged candy, the most popular during Halloween, contributed the greatest per cent of sales in this category—almost $300 million, a 13% increase over 1982. Candy makes up 3.4% of total chain drug sales.

Housewares—Chain drug stores recorded a steady 7.3% sales increase in the housewares category last year to $1.6 billion. Consumers traded up for better quality plastic and rubber housewares, kitchen accessories and outdoor furniture. Leading the department again were plastic and rubber housewares. Retailers attributed the strong 7.4% gain in this category to increased promotional activity and changing consumer lifestyles. Sales of plastic and rubber housewares totaled $368.7 million and accounted for 23% of total category sales.

Toys—High tech electronic toy sales crashed last year, opening the door for a resurgence in sales of such traditional toys as dolls and board games. Overall category sales reached $623.6 million, a 6.4% improvement over the previous year. While drug chains still account for only a small slice of the total toy market, indications are that manufacturers are seeking additional distribution channels such as drug stores.

Photo/including processing—This category continues to be a successful one for drug store chains with sales increasing a healthy 11.3%. Photo remains strong because items, which have gross margins of 20% to 25%, turn nine times a year. The ever-popular photo finishing services along with the new additions of upscale 35mm cameras and related products helped this $960 million category make up 4.2% of total chain drug sales in 1983.

General merchandise—General merchandise sales rose 9% to $1.1 billion as chains continued to offer an appealing mix of products along with a range of price points. Small personal care appliances, such as blow dryers and electric razors, remained on top with the greatest percentage of sales in the category, $203 million or 18%. General merchandise makes up 4.8% of the total drug store sales.

Do-it-yourself—Faced with increased competition from high volume home centers and discount auto parts chains, sales gains in the DIY category slowed somewhat last year. Chain drug stores recorded a 6.1% increase in DIY sales to $533 million. Once again, the automotive segment was the DIY department leader as chains registered a 7.9% increase in 1984 to $156 million.

Grocery/food/liquor—Led by a strong performance by alcoholic beverages and snack foods, the food and liquor category generated a sales gain of 7.7% to $1.1 billion last year. Liquor and wine accounted for nearly 50% of the department's total volume as sales advanced 8.3% to $531 million. Snack foods/cookies and nuts combined for nearly 16% of the department's sales in 1983. Snack foods such as chips and crackers and cookies produced sales increases of 7.8% with sales reaching $83.2 million, while nuts sales rose 7.9% to $91.8 million.

Breakout of 1983 chain drug sales

Department	Total chain drug $ volume	% of increase	% of total sales	Gross margins	Avg. no. of turns
Prescriptions	$5,947,381,000	+ 13.6	26.1	35% to 40%	6.5
Drugs/Proprietaries	3,185,045,000	+ 12.3	14.0	30% to 35%	5.0
Toiletries	2,403,497,000	+ 11.6	10.5	25% to 30%	5.0
Cosmetics	1,194,945,000	+ 12.2	5.2	35% to 40%	2.2
Stationery	1,053,262,000	+ 12.1	4.6	40% to 45%	4.5
Tobacco	1,814,672,000	+ 9.6	8.0	15% to 20%	15.0
Candy	782,948,000	+ 12.5	3.4	25% to 30%	5.5
Housewares	1,480,002,000	+ 7.3	6.5	35% to 45%	3.0
Toys	623,580,000	+ 6.4	2.7	35% to 40%	4.0
Photo	959,618,000	+ 11.3	4.2	20% to 25%	9.0
General Merchandise	1,101,974,000	+ 9.0	4.8	35% to 45%	5.0
D-I-Y	533,049,000	+ 6.1	2 4	35% to 45%	3.0
Grocery/Liquor	1,127,773,000	+ 7.7	4.9	15% to 20%	12.0
Misc./Promotional	610,423,000	+ 11.5	2.7	15% to 20%	N/A

Source: *Drug Store News* survey

PRODUCTS

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

1983 Rx sales increase 13.6%

Rising script counts and higher prices pushed chain drug pharmaceutical sales to record heights in 1983. Dollar sales rose 13.6% to $5.9 billion in chains with four or more stores.

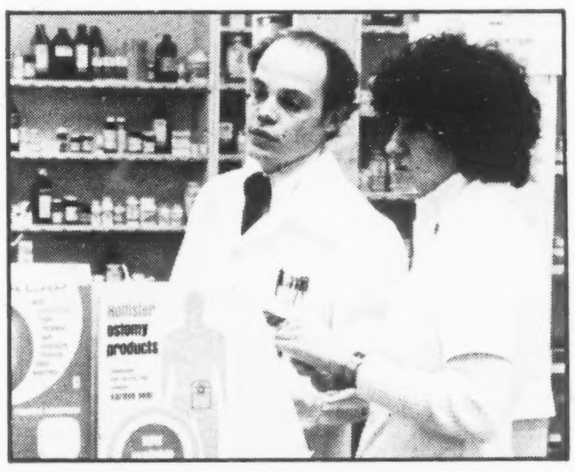
The price of an average script increased 95¢ to $10.60 during the year in chain drug outlets, and an average chain outlet dispensed 35,000 scripts.

New high-ticket products launched over the past several years continued to propel department gains during 1983. But the past year represented a trough for new products.

"Last year can't be called a record year for prescription product introductions, but a few new drugs reached consumers," said a professional director from a Northeast chain.

Drugs like Zantac, Lozol, Halcion and Bumex are, however, expected to grow in sales.

Prescription products introduced



Although there have been fewer new prescription product introductions in 1983, chain drug stores reported record breaking prescription sales.

before 1983 also contributed to pharmacy department growth. Drugs such as Procardia, Zovirax, Xanax, Desyrel and Feldene were still in their growth phase and added significantly to departmental sales.

Higher counts

In addition to producing higher script counts, these relatively newer drugs also helped department revenue gains by increasing the price of an average script. Many of these newer drugs cost retailers significantly more than the drugs they replaced. As a result, the consumer price index for prescription medications continued to outpace the CPI for all commodities, which rose only 3.8%. The pharmaceutical portion of the index, however, climbed 9.6% from 192.7 to 213.8 during the past year.

Despite the gain in scripts and escalating prescription prices, retailers' bottom line growth was not forthcoming from their pharmacy departments. Indeed, statistics reveal that the cost of pharmaceuticals to retailers climbed by 16%.

Retailers said that hefty sales increases aside, their return on inventory investment for the prescription department continued to shrink. Margins aren't keeping pace with other departments' gains.

Audited information shows that added competition and slow-growing third-party fees have kept a lid on profits. For example, some of the leading brands that contributed significantly to retailers' sales growth were the same maintenance drugs which offered retailers margins of 15% to 20%.

Tied-up capital

For costly medications, pharmacies were forced to tie up increasing amounts of capital in inventory. "Lower-of" provisions written into some third-party contracts also produced a negative impact on retailer margins, locking pharmacies into reimbursement fees that ranged between $2.75 and $3.50 per script.

Retailers from associations representing drug chains and independent community pharmacies argued for the need to return to usual and customary pricing to provide relief. But their arguments have failed to persuade third-party rate-setters.

Generic pharmaceuticals also made their presence felt during the year. They now account for 20% of all prescription dollar volume. Factors contributing to growth in this market segment include programs by states like Maryland, which provided pharmacists an extra fee for dispensing a generic on Medicaid scripts.

Another approach used by Medi-Save Pharmacies also stimulated generic sales. At Medi-Save, pharmacists are paid 50¢ per script for dispensing a generic.

Industry analysts said these factors represent only a fraction of the impact that generics will have on the pharmaceutical market once the Abbreviated New Drug Application/Patent Extension issues are settled. A number of well-known products—Valium, Serax, Valisone, Diabenese, Motrin and Ativan—will be coming off patent over the next 24 months. As a result, they predict that sales dollar growth of generics will range from 10% to 15% over the next several years.

Other factors

In addition to new products and the increasing number of generics, there were other factors that helped prescription sales in 1983.

Among them: The continued aging of the United States population and the expansion in the number of physicians writing a large amount of prescriptions.

Other trends which affected the department include the switch of selected legend pharmaceuticals to over-the-counter status and the continuing effort by retailers, drug manufacturers and Government to communicate with patients about drugs.

F.D.A. initiated a consumer program which promotes pharmacists as an information source about drugs. Going a step further, Eckerd Drug tested a computerized phone answering service that provides consumers with information on a variety of drug categories. Revco distributed an education pamphlet advising consumers about arthritis. And Pathmark and CVS offered prescription price rebates via coupon to customers. The latter situation is under scrutiny by the U.S. Supreme Court, since the Board of Pharmacy in New Jersey doesn't allow price rebate promotions on pharmaceuticals.

Variety of programs

Manufacturers also used a variety of programs to get their messages to consumers. Boots advised the public of Rufen's price advantages over Motrin, while a number of other firms took a more conservative educational approach in their consumer directed messages.

Pfizer continued its "Healthcare Series" through booklets on arthritis and angina. And Roche promoted its "How-To Books" on drug treatment options, descriptions of disease states, and ways to improve health care.

Lederle used pharmacists in its Self Medication Awareness Test program designed to increase consumer consciousness about medications.

The Food and Drug Administration launched a study of consumer reaction to direct prescription drug advertising. Conclusions and recommendations weren't available at presstime, but retailer reaction to direct-to-consumer ads was generally negative.

Although the switch of prescription items to OTC status does lower prescription counts, most chain execs favored conversions because they mean higher volume and more profit dollars.

Prescription department summary

All drug stores

	1982	1983	% Change '83/'82
Consumer sales ($ millions)	$14,459	$16,330	+13.0
Scripts (in millions)	1,483	1,512	+ 2.0
Average Rx price	9.75	10.80	+11.0
Scripts/store/year	30,020	30,545	+ 2.0
Stores	49,400	49,500	

Chain drug stores

	1982	1983	% Change '83/'82
Consumer sales ($ millions)	$ 5,235	$ 5,947	+13.6
Scripts (in millions)	542	561	+ 3.0
Average Rx price	9.65	10.60	+10.0
Scripts/store/year	33,155	35,130	+ 6.0
Stores*	16,347	15,969	- 2.0

*Only chains with 4 or more outlets are considered in this total.

Source: *Drug Store News* survey

Total drug store market, 1983

	Scripts (millions)	% growth '82 '83	% share
Total Scripts	1,512	+2%	100.0%
New Scripts	760	-1	50.3
Refill Scripts	752	+3	49.7

Source: *Drug Store News* survey

1983 New drug launches

After record-setting years for new drug approvals, the pace slowed considerably during 1983 as only 14 new chemical entities were cleared for marketing. New agents approved and/or marketed during 1983 included six parenteral products, nine oral dosage forms, and three topical preparations.

Chemical name	Brand name	Usage
Acetohydroxamic acid	Lithostat	Adjunct in urinary tract infections
Atracurium besylate	Tracrium	Skeletal muscle relaxant
Bumetanide	Bumex	Diuretic
Cefitzoxime sodium	Cefizox	Cephalosporin antibiotic
Cefuroxime sodium	Zinacef	Cephalosporin antibiotic
Chenodiol	Chenix	Dissolution of gallstones
Ciclopirox olamine*	Loprox	Antifungal
Cyclosporin	Sandimmune	Immunosuppressive
Econazole nitrate*	Spectazole	Antifungal
Etomidate*	Amidate	Anesthetic induction drug
Etoposide	VePesid	Antineoplastic
Guanadrel sulfate*	Hylorel	Antihypertensive
Indapamide	Lozol	Diuretic
Netilmicin sulfate	Netromycin	Antibiotic
Praziquantel*	Biltricide	Antischistosomal
Ranitidine hydrochloride	Zantac	Antiulcer
Sodium cellulose phosphate*	Calcibind	Drug for hypercalciuria
Triazolam	Halcion	Hypnotic

*Approved by F.D.A. in 1982 but not marketed until 1983.

Source: *Drug Store News*

1984 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY

PRODUCTS

Cough/cold remedies top OTC sales

New OTC products, converted from prescription status, and a late breaking flu season boosted sales of cough/cold preparations in 1983 by almost 30% over 1982, propelling them into first place as the best-selling category of the drug store's proprietary department.

Many chain buyers pointed to a late flu season as the prime reason for cough/cold preparations grabbing a 14.6% share of total OTC department sales.

According to Len Demino, vp of professional services, Peoples Drug Stores, rapidly changing weather conditions were responsible for much of the increase in sales.

"This year's changeable weather was conducive to the flu," said Demino. "Our prescription and OTC sales were up as a result."

Walgreens reported that sales of their OTC cough/cold preparations were up 23.5% in January and in the first week of February sales rose 36.3% over the same period in 1982, in large part due to a two-month flu that hit the Chicago area.

But not all the chains felt that a flu was responsible for their sales.

In St. Louis, Medicare-Glaser's director of professional services, Ken Anderson, felt that the flu season had no effect on upward volume movement of OTC cough/cold preparations.

Consumers who bought cough/cold preparations were able to choose from wider selection, including those recently converted to OTC status after being available only by prescription.

According to an exclusive *DrSN* OTC study, consumers chose the newer OTC conversion products over products that virtually had the market to themselves for many years.

For example, within the cough/cold category, four of the 23 products in the top 100 (dollar volume) and five of the 24 products in the top 100 (unit volume) were OTC conversions.

In particular, Schering's outstanding success with Drixoral and Afrin together with Parke Davis' Benylin and Burroughs Wellcome's Actifed, helped retailers stimulate cough/cold sales even in those areas not hit by a flu.

Some chain buyers said that not only did the flu and bad weather favorably affect cough/cold sales but an increase in their vitamin sales could be seen as well.

Capturing 10.1% share, vitamins were the second highest contributor to increased proprietary department sales in 1983.

Considering the number of retail outlets that sell vitamins, drug stores did exceedingly well. Drug stores accounted for 65% of all vitamin sales while supermarkets and discount stores placed a poor second and third with 10% and 8% market share respectively.

Analgesics, which in 1982 was the second best-selling category, dropped to 3rd place and increased only slightly in 1983 to a 9.8% share of total department sales.

The Tylenol tampering incidents hit the analgesic market hard. Tylenol had accounted for 43% of all analgesic sales when retailers were forced to take all Tylenol products off their shelves for return. Even though McNeil did an excellent job of restocking the product, analgesic sales plummeted when retailers had to look for other nonaspirin products to fill the gap. Judging from the small increase of analgesic products, it appears that many consumers did without any analgesic substitutes and waited for Tylenol to re-enter the marketplace late in 1983.

1983 Proprietaries department highlights

Chain drug proprietaries sales	$3,185,045.000
1983 percentage gain	12.3%
Percentage of total chain drug sales	14.0%
Typical gross margins	30% to 35%
Industry gross profit yield from proprietaries last year	$955,-$1,115,000,000
Average no. of annual dept. turns	5

1983 Proprietaries department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Analgesics	$311,854	15.7	9.8
Vitamins/nutritionals	322,460	13.7	10.1
Cough/cold (tabs/caps/loz.)	270,509	15.9	8.5
Cough/cold (liquids)	194,036	13.4	6.1
Antacids	198,575	9.3	6.2
Laxatives	219,522	6.4	6.9
Diet aids	84,142	5.2	2.6
Eye care/lens care	133,724	14.5	4.2
Asthma inhalers/ tabs/liq.	12,489	10.9	0.4
First aid	193,590	8.3	6.1
Wets & dries	25,012	8.6	0.8
Feminine hygiene	155,277	14.3	4.9
Family planning	130,017	14.9	4.1
Acne preparations	60,044	7.9	1.9
Sleeping aids	25,038	11.8	0.8
Antidiarrheal/antinausea	61,290	7.6	1.9
Dental care	305,656	13.5	9.6
Baby needs	275,299	10.5	8.6
Footcare products	130,259	14.6	4.1
Home health care	46,737	16.4	1.5
Miscellaneous	29,513	6.9	0.9

Source: *Drug Store News* survey

Many new OTC products that once required a prescription helped boost the cough/cold category to the top sales position in the OTC department.

Dental care products realized a 13.5 increase in overall sales in 1983, due primarily to inflationary price increases but increased only slightly in their share of OTC department sales to a 9.6%.

Many chain buyers felt that the slight share increase was due to consumers just switching from their old brand of toothpaste, toothbrush or dentifrice to a newer more expensive one, so that total unit sales remained flat.

Home health care, at one time considered to be an extension of the first aid category, now enjoys its own ranking thanks to an impressive effort by many chains in promoting these products at freestanding locations.

By the end of 1983, 13 chains had opened a total of 38 freestanding, 2,000-5,000 sq. ft. home health care centers nationwide. Many other chains also expanded their in-store home health care departments. This combination resulted in a 1.5% share of the total proprietary department sales for 1983 in home health care.

Sales of eye care products, especially contact lens products, also climbed dramatically as manufacturers of hard lens products shifted their marketing emphasis to the soft lens user.

A 21% unit gain in soft lens solutions and a 32% unit gain in prepared salines boosted the total sales of the eye/lens care category 12% in 1983, Lens care now represents 4.2% of total OTC department sales. Many chains reported sales of hard lens solutions and accessories remained flat or even slightly down in 1983.

Other 1983 category increases were found among laxatives, feminine hygiene, family planning and footcare products.

Topping the list and boosting footware products to a 4.1% share of total department sales, were the antifungal products. Schering's Tinactin, an Rx-to-OTC conversion, was the only antifungal to make *DrSN*'s top 100 best-selling OTC list. Sales of the Dr. Scholls product line, a long time staple in the footcare market and well represented in drug stores, helped stimulate sales in that category.

The majority of remaining OTC categories increased only marginally in their department shares, if at all.

The very small gains in department share of first aid products, wets & dries, acne preparations and baby needs were due mainly to price increases and lack of any substantial new product introductions.

Because some manufacturers' changed the formulas of their popular sleeping aids, that category generated only 0.8% of total department sales.

Private label vitamin growth for 1983 rose approximately 20% and accounted for 65% to 70% of total vitamin volume.

PRODUCTS

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Stationery hits: school, office

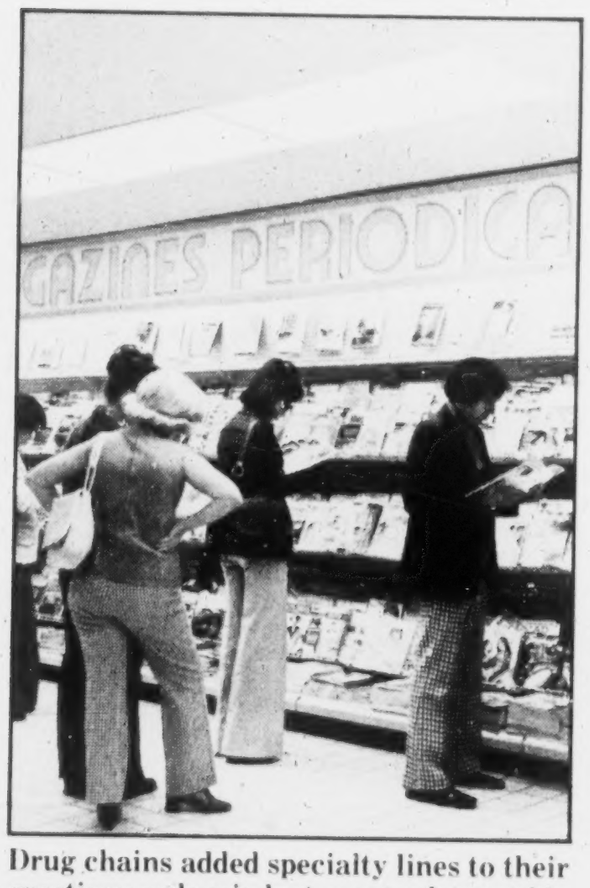
Across-the-board gains in greeting cards, school supplies and home office products powered the stationery department to a 12.1% sales gain in 1983.

The biggest increase in the stationery category was posted by the school supply and home office segment. Sales of these products rose 14.1% in 1983 to $271.2 million.

Retailers noted that the biggest factor in the sales increase was the fact that drug chains moved aggressively to upgrade both school supplies and home office sections last year.

As with many of the stationery categories, licensing helped retailers generate dramatic gains in school supply sales. Some chains allocated as much as 25% of their school supply merchandise mix to licensed goods. Chains that were able to latch on to a hot licensed product were able to generate margins of more than 45%.

Drug chains also segmented their school supply department more than they have done in the past in an attempt to corner both the college market and students at the elementary and high school levels. Retailers reported that high school and college students, in particular, are demanding better quality school supply products, which frequently carry higher profit margins.



Drug chains added specialty lines to their greeting cards mix last year and were able to snare a bigger portion of the younger market.

On the average school supplies carry margins of more than 40% and can turn at a rate of more than 10 times a year.

Perhaps the biggest development in the stationery department last year was the growth of the home office market. A number of drug chains have targeted this category for expansion and are introducing planogrammed departments in their stores.

Chains like Fay's, SupeRx and Carls began testing 16-ft. home office supply sections in some of their stores last year. The sections, aimed at small businesses, contain a variety of products including legal pads, telephone message pads, manilla envelopes, ledger books, filing folders, 500 count boxes of envelopes and replacement paper for personal and home computers.

Drug retailers believe that the multibillion dollar home office market is wide open. As recently as 10 to 15 years ago commercial stationery and home office dealers controlled approximately 75% of the market. However, with their extensive network of stores and sophisticated distribution systems, drug chains can sell home office products at margins of 35% to 45%, nearly half the margins set by commercial stationery dealers. For this reason, mass marketers are expected to increase their current 50% share of the market.

Drug stores with well-stocked home office departments appeal to one-stop shoppers. Retailers point out that an office manager or secretary at a small business would rather purchase office supplies in a drug store than in a commercial stationery shop because they can take care of their cosmetics or H&BA needs in one shopping trip.

While small businesses still account for the bulk of the sales made by stationery shops and mass merchandise outlets, use of office supplies is on the rise in the home as well. Currently, more than 2.2 million people are working out of their homes and some Government analysts believe this number will grow by more than 10 times by 1993.

But not only are homes that serve as business offices targets of drug retailers, households in general are using more office supplies.

Retailers reported increases of such products as filing boxes and record books.

Many retailers also believe that there will be a dramatic increase in the demand for computer supplies over the next few years. With more than 2.5 million home computers sold during the recent holiday season, drug retailers expect the market for products such as disk storage devices and computer paper to expand rapidly.

Greeting cards turned in another outstanding performance in chain drug stores last year. Sales increased 12.2% in 1983 to $390 million. Cards contributed 33.5% to the stationery department's total sales of $1.05 billion.

The strong increases registered in the greeting cards category was particularly impressive in light of the fierce competition waged by supermarkets and discount stores.

Drug chains have attempted to offset the inroads made by other mass merchandise outlets by expanding and upgrading their greeting card departments. Some chain operators have allocated as much as 30% to 40% more space to greeting cards and wherever possible have moved the departments to the front of the store to stimulate impulse purchases.

Total greeting cards consumption was up in the United States in 1982, the most recent year that figures were available. More than seven billion greeting cards were exchanged. Industry experts believe that by 1985 unit sales will top 8.5 billion.

Fueling the growth in the greeting cards industry has been the numerous lines of specialty cards that have been introduced in recent years.

Chains have been able to capture a larger share of the greeting card market by carrying more of these specialty lines that, in particular, appeal to younger age groups.

Licensed greeting cards did exceptionally well last year, drug retailers reported. Chains can expect similar increases this year as greeting cards companies introduce new licensed characters.

Tighter inventory controls also helped boost the performance of the greeting cards department in 1983. Retailers said that they were in a better in-stock position throughout the year. And by reducing unnecessary inventory, chains were able to realize a better ROI.

Christmas cards last year continued to garner the biggest portion of the overall greeting card market. However, many chains noted significant increases in Valentine's Day cards and everyday cards.

The licensing boom carried over to other stationery categories last year. Gift wrap registered a 12.6% gain in drug stores as sales reached $65.7 million.

Chains also reported a steady increase in the disposable party supplies segment. Sales of products such as paper plates, balloons, plastic forks, knives and spoons and paper tablecloths grew by 12.2% to $39.3 million.

New product introductions contributed to the 11.1% increase in the writing instruments category. Erasables did particularly well during the back-to-school season, several buyers reported.

Overall writing instrument sales totaled $74 million in 1983 and accounted for 7% of the department's total volume.

The social stationery category also showed a healthy sales increase of 9.4% to $54.9 million in 1983. Social stationery represented 5% of the department's total sales.

The other major component of the stationery department—books and magazines—generated a 10.2% increase in sales last year. The $185.3 million in books and magazine sales represented a hefty 17.6% of the department's volume.

Many chains have been able to stimulate interest in books and magazines by introducing reading centers in stores. Overall, books and magazine sales rose 10.2%.

Part of the reason for the strong showing: Drug retailers did more cross-merchandising with books and magazines last year. In addition, chains like Walgreens and Page Drugs have managed to stimulate consumer interest in the category by introducing reading centers in some of their stores.

Art supplies, the smallest segment of the stationery department, grew at a moderate rate last year. Sales increased 4.8% to $8.6 million and contributed just under 1% of the department's total volume.

1983 Stationery department highlights

Chain drug stationery sales	$1,053,262,000
1983 percentage gain	12.1%
Percentage of chain drug sales	4.6%
Typical gross margins	40% to 45%
Typical gross profit yield from stationery last year	$421,-$474,000,000
Average no. of annual turns	4.5

1983 Stationery department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Cards	$352,882	12.2	33.5
School, home/office	271,269	14.1	25.7
Books & magazines	185,316	10.2	17.6
Writing instruments	74,083	11.1	7.0
Social stationery	54,983	9.4	5.0
Gift wrap	65,755	12.6	6.0
Disposables/party supplies	39,373	12.2	4.0
Art supplies	9,599	4.8	0.9

Source: *Drug Store News* survey

PRODUCTS

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Toiletry share of chain sales rises

Toiletry sales in chain drug stores cracked the $2.4 billion mark last year. The category now accounts for 11.6% of all chain drug sales, with the strongest performances coming from the following categories: ethnic products, shampoos, deodorants and suntan/sunburn products.

Ethnic health and beauty aids turned in their best year ever in 1983. Sales jumped 14.5% to $152.7 million. Much of the gain was generated because many chains either added new ethnic departments to their stores or enlarged existing departments.

Shampoos were the second-fastest growing category in the toiletries department. Sales in 1983 were up 13.4% to $260 million. Sales were boosted by the influx of new items such as salon-style products aimed at an upscale market, but budget priced shampoos continued to hold their own as shoppers showed no less enthusiasm for ferreting out good buys, particularly if they were advertised specials.

Twin packs continued to move, helped by the late 1983 introduction of a host of new shampoos.

Suntan/sunburn product sales jumped 12.8% in 1983 to $112.5 million. Sales came from both suntan items and those with a higher SPF (sun protection factors) designed to insure against burns. Additionally, volume was up because retailers strove to make suncare a year-round rather than a seasonal one. Perry Drug, for example, merchandised suntan items in a cold and blustery March. Why? To satisfy shoppers headed to warmer climates on vacation.

New suncare products launched during 1983 had a cosmetics twist to them, which was not surprising because the market is predominately female. Sales also received a shot in the arm from retailers who began merchandising the products on end-caps.

Conditioner sales leveled in 1983, but not enough to cause a sharp decline in sales. In 1983, volume rose 12.5% to $165.5 million. Conditioners now account for almost 7% of total category sales. Most of the increases came from the treatment type products designed to improve damaged hair. Chain drug stores currently account for almost 35% of all conditioner sales.

Deodorant sales improved dramatically last year, jumping 12.4% to $282.7 million after a few back-to-back flat years. Deodorants, with an 11.8% share, are the second largest component of toiletries.

Handcream and skincare sales jumped 12.3% to $287 million as the longstanding brands maintained their hold on the market. Drug chains, with a 45% share, dominate this category, although supermarkets have been making inroads. Handcreams/skincare remain the largest contributor to chain toiletry sales.

It was a similar story with body creams and lotions; sales rose 12.2% last year.

During 1983, it appeared that more women decided to try depilatories as a sure-fire way to remove hair without the trouble of shaving. Although this category produces only 0.4% of toiletry sales, volume hit $9.1 million last year, up 11.8% over 1982.

Razors, on the other hand, are big business in chains, which account for better than 20% of all disposable razor sales. According to *Drug Store News*' research, razors/blades sales were up 11.6% to $114.9 million.

And, just as more people are shaving with disposable, more women are coloring their hair. Sales escalated 11.4% to a total of $230.4 million in 1983.

Perms and straighteners sales flattened out in 1983, rising 11.3% to $20.8 million. Industry sources suggest that the big perm boom of the early 1980's may be over. However, the perm business is steady and chains dominated the market with close to 48% of all perm sales.

With disposable razors sales rising, men's shaving creams are inching up, too. Sales were 11.2% better in 1983 than 1982 for a total of $35.5 million.

But sales of products for the rest of a man's needs are still flat as men continue to hide in the closet when it comes to grooming aids. Sales, because of price hikes, rose 10.5% to $276.2 million. The industry needs a marketing campaign designed to inspire men to purchase their own grooming needs.

Hair notions may not have sales figures that shake the earth, but they produce a steady volume year after year. That was the case in 1983 when volume rose 9.1% to $93.5 million. Chain drug stores lead in hair notions accessories over discounters and supers.

However, supermarkets are stealing share away from chains in hair sprays. Sales were up only 8.9% last year in chain drug stores to $91.5 million. This category may also be in trouble as the mousse market continues to grow.

1983 Toiletries department highlights

Chain drug toiletries sales	$2,403,497,000
1983 percentage gain	+11.6%
Percentage of total chain drug sales	10.5%
Typical gross margins	25% to 30%
Industry gross profit yield from toiletries last year	$600,-$720,000,000
Average no. of annual dept. turns	5

1983 Toiletries department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Handcream/skin care	$287,070	+12.3	11.9
Deodorants	282,687	+12.4	11.8
Men's toiletries	276,152	+10.5	11.5
Shampoos	260,079	+13.4	10.8
Hair color	230,443	+11.4	9.6
Rinses & conditioners	165,512	+12.5	6.9
Body creams & lotions	111,870	+12.2	4.7
Ethnic beauty aids	152,726	+14.5	6.4
Hair notions	93,516	+ 9.1	3.9
Razors/blades incl. disp.	114,881	+11.6	4.8
Hair sprays	91,529	+ 8.9	3.8
Suntan/sunburn	112,472	+12.8	4.7
Shave creams	35,519	+11.2	1.5
Perms/straighteners	20,805	+11.3	0.9
Depilatories	9,057	+11.8	0.4
Miscellaneous	159,179	+ 8.9	6.6

Source: *Drug Store News* survey

Chains boost commitment to ethnic

Chain drug stores are currently capturing about $153 million a year in ethnic hair care and cosmetics product sales.

Hair care, by far, accounts for the bulk of ethnic product sales in drug stores, but cosmetics sales are slowly starting to inch up, partly as a result of the retailer's growing commitment to this department.

In the past few years, the leading chains such as Eckerd, Revco and Walgreens have begun to enlarge their existing ethnic product departments while simultaneously putting new departments in stores with locations with easy accessibility to black and Hispanic shoppers.

As part of their growing commitment to this highly profitable section, they've also started to advertise ethnic products more in tabs as well as newsprint ads.

Revco, which carries 225 ethnic items in 1,100 stores (66% of all stores in the chain), has been so successful with this category that management now highlights ethnic product sales in its annual report.

Walgreens has also expanded the department. Today, most Walgreen stores have ethnic product sections, with the departments ranging in size from 3 sq. ft. to 21 sq. ft. At Revco, where ethnic product sales are growing at the rate of 40% a year, the sections now range from 12 to 24 sq. ft. on average and some stores give the department as much as 40 sq. ft.

Chain buyers are saying they will set up an ethnic products department even if their individual stores are in neighborhoods where just 5% of the targeted shoppers are black.

A recent study executed by the American Health and Beauty Aids Institute found that while black and Hispanic shoppers may only account for 5% of an individual store's traffic, they are responsible for generating 15% of all H&BA sales.

Just on hair care alone, the study found, blacks tend to spend three times more than white shoppers.

The study also found that blacks shop drug stores that are close to their jobs as well as stores closer to home. Partly because of this study, many chains now believe they don't necessarily have to have stores in ethnic neighborhoods to justify featuring an ethnic product section. Eckerd, in fact, has ethnic departments in all but 10% of its 1,371 stores while SupeRx has departments in some 60% (364) of its 605 stores. Thrift drug has sections in nearly 70% of its 363 stores and is hoping to roll the department out to all stores within two years.

Flush from success with ethnic hair care products, many chains are now turning their attention to building ethnic cosmetics volume.

1984 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY

PRODUCTS

Upscaling boosts cosmetics sales

After the pharmacy, cosmetics is the area where drug store retailers worked hardest to build sales during 1983.

Their efforts paid off as sales rocketed 12.2% to $1.2 billion. That was the highest increase in this category for the last five years.

Chains produced these numbers by upgrading their mix, promoting harder and working to stay in stock on hot merchandise. Indeed, while the entire industry growth was stagnant, rising only 4%, chains produced a volume that grew not only from price increases, but unit movement as well. At the same time, drug chains continued to draw new shoppers, especially those who had shopped department stores.

Cosmetics, as a category, produces 5.2% of total chain drug volume. And, although at 2.2 turns per year, cosmetics remain a slow-turning department, it produces high gross margins per square foot and a healthy gross margin return on investment. Cosmetics gross margins fall in the 30% to 40% range.

Perhaps the biggest chain success story last year was fragrances. Not only did drug stores post whopping gains with prestige fragrances, but they also enjoyed solid results from budget and mass brands. Together, toilet water/colognes and perfumes generated sales of $355.3 million, up 12.8% from 1982. Toilet water/cologne sales jumped 12.7% while perfumes picked up steam rising 13.4%. Fragrances produce about 30% of all cosmetics sales in chains.

Sweet smell of success

Prestige, often diverted, fragrances such as Chloé, Opium, Oscar, Ciara and White Shoulders socked some pizzazz into fragrance sales. But, the mass and dual distribution items such as Vanderbilt and Le Jardin also turned in a strong year as did fragrance line extensions including Aviance Night Musk.

In many cases, drug chains themselves were the catalysts in perking up sales. This was done via direct-mail catalogs or consumer sweepstakes. Eckerd, for example, boosted Christmas fragrance sales via a glossy catalog. Peoples used a catalog and a consumer sweepstakes.

The challenge for 1984 will be to see if drug chains will continue to secure and be able to sell prestige brands. There are some indications that manufacturers will be clamping down on their pricey brands and once again limiting their distribution to department stores. Drug stores, however, have proved they can sell these items and buyers hope vendors may decide to sell them directly.

Pegged cosmetics are the second strongest performers in the cosmetics category. These items appeal to today's woman whose shopping time is limited. Once considered the lower-end items, pegged cosmetics now also have an upgraded look.

An increased emphasis on devoting the proper space per sales to pegged lines helped push pegged cosmetics sales 13.5% last year to $266.9 million or 22.3% of all cosmetics sales.

Facial treatments remain an enigma for the chains. There appears to be a need in the mass market, but few products have cracked through the self-service barrier. Because of that, treatment sales have been stagnant. Volume rose 10.9% last year to $175.3 million.

Facing the trends

The biggest trend in this area is concentration on the science of skin care. It seems that the more clinical or natural the skin care item; the better the sales. Two good examples are the success of Revlon's European Collagen Complex or Queen Helene's Gift of Life Moisturizing items which contain a natural ingredient called placenta.

Line extensions of longstanding favorites also fared well in facial treatments. This includes Oil of Olay's Beauty Bar or Clairol's Sea Breeze moisture lotion.

The bath is being rediscovered. Women are once again using baths to pamper themselves. Sales in bath preps rose 12% last year to $110.8 million. What retailers have noticed is a trend to the higher-ticket bath items such as Vitabath. Also, 1983 saw the birth of a new area in bath—the shower gels. Bare Elegance and Soft All Over were two products pioneering this trend.

Lip products enjoyed a healthy 10.5% sales increase which was instigated by the debut of lip repair products similar to Elizabeth Arden's phenomenal Lip-Fix. There are no fewer than six entries into this burgeoning category. Paced by these items, lip color and lip product sales reached $109 million last year.

Nailing down sales

Even more productive than lip was nail during 1983. Retailers are amazed at what percentage of total sales now come from this category. According to *Drug Store News*, nail polish and preps produce 8.6% of the cosmetics department volume; the fastest-growing products are those which help nails grow or those which condition the nail. This includes hardeners and strengtheners.

Rounding out the category with a 6.3% share is eye color, makeup, powders, creams and liquids. New products as well as a change to merchandising by line rather than category perked up volume in these areas. Kits, coordinated groupings of mascaras, shadows and blushers, fared well as did the budget lines offering trendy colors.

Increased advertising by manufacturers helped boost this category 9.3% last year to a total of $74.6 million. What's more, retailers peg this area as one that will show substantial growth in the latter half of the 1980's.

1983 Cosmetics department highlights

Chain drug cosmetics sales	$1,194,945,000
1983 percentage gain	+12.2%
Percentage of total chain drug sales	5.2%
Typical gross margins	30% to 40%
Industry gross profit yield from cosmetics last year	$358,-$478,000,000
Average no. of annual dept. turns	2.2

1983 Cosmetics department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Fragrances	$355,266	+12.8	29.7
Toilet Water/ cologne	287,920	+12.7	24.1
Perfumes	67,346	+13.4	5.6
Pegged cosmetics	266,990	+13.5	22.3
Facial treatments	175,270	+10.9	14.7
Bath preps	110,835	+12.0	9.3
Lipstick/lip color	108,959	+10.5	9.1
Nail polish/nail preps	103,013	+12.9	8.6
Makeup, powder, cream & liquid	74,612	+ 9.3	6.3

Source: *Drug Store News* survey

Drug chains were able to draw new shoppers away from department stores by upgrading their cosmetics departments last year.

The fragrance category of the cosmetics department, benefiting from the influx of prestige brands, generated a sales increase of 12.8% to $355.3 million.

PRODUCTS

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

At-home parties jazz housewares

The housewares category held steady in chain drug stores last year as sales rose 7.3% to $1.6 billion. Pacing sales were products associated with a new consumer lifestyle. These included plastic and rubber housewares, kitchen gadgets, furniture and outdoor furniture and the bath/closet category.

What has happened is that as consumers turn to their homes for entertaining, they've traded up in housewares. For instance they haven't been afraid to dig into their pockets to pay for new lawn furniture. They also are inclined to buy K-D (knockdown) furniture.

At the same time, today's population is more transient than ever and therefore buys frequent replacement rubber and bath products. Underlying all of these trends is the ever important need for space-saving items.

Plastic and rubber sales jumped 7.4% to $368.7 million last year. Chains attribute the gains to increased promotional activity. Also, as people move from one area to another, they're replacing their old dish racks and laundry baskets. These two items are the fastest moving rubber products, chains say. Rubber and plastic account for almost 23% of chain's total housewares sales.

Today's typical customer is also upgrading her selections . . . she observes department store housewares and enjoys the fact that drug chains now have kitchen gadgets and gourmet items that rival the local department store's. Because of that, the house and kitchen gadgets/gourmet category turned in a strong performance; sales rose 7.6% to $107.2 million, or 6.6% of total housewares volume.

As mentioned before, furniture volume is up in chains. Sales rose 7.6% last year to $49.7 million. Sales gathered steam as chains added four-color, glossy catalogs featuring oak-veneer end tables, rocking chairs and wine racks. Also, chains are adding K-D and outdoor furniture to their mix. Perry Drug, for example, carries outdoor furniture sets rivaling those sold in the chic Fortunoff chain.

The search for more space spurred sales in the bath/closet category last year. Sales increased 7.6% to $30.1 million. This is a small, but growing area for chains.

Small electrics also turned in a good performance with sales up 7.5%. Total volume in this category, which includes men's shavers, hair dryers and curling items, hit $188 million. Flocked hair products that don't tear the user's hair were big news. Also, space-saving coffee makers and can openers attracted shoppers during 1983.

Paper products, a longstanding promotional favorite, had sales 7.4% higher in 1983 than 1982. Retailers kept up the hot competitive pricing in this category.

Microwave cookware was the biggest news in the glass/dishware/cookware category, which had 1983 sales of $180 million, up 7.3%. Chains agree that microwaves have hit the mass audience (25% of the population owns one) and along with the ovens comes a need for cookware designed for use in them.

During 1983, customers were enticed by beveled picture frames. These curved frames, available in lucite or glass, helped spur sales of frames and mirrors to $67 million. Another decorative category—plants and plant care—also enjoyed a sales boost of 7.2% last year. More chains added plants to their mix and promoted them in ads.

Household supplies, a category that was once only big in supermarkets, gained a foothold in the drug store industry during 1983 with sales jumping 7.2%. This category now commands 13.2% of the total housewares volume in chain drug units.

Lighting up sales

Upscale lighting products added pizzazz to the lighting category. Sales in this area rose 7.1% last year to $85 million.

There were two areas with soft sales last year. Those were insecticides and shoe care. Insecticide volume inched up only 6.1% to $58 million while shoe care was up 7% to $20 million. In both cases, retailers attribute disappointing sales to the fact that shoppers prefer more specialized units as a source for these items.

Although drug stores account for a miniscule portion of the $45 billion housewares category, chains expect a 16% sales gain during 1984. Among the items they're banking on to produce that sales gain are microwave cookware, storage containers, upscale furniture items, telephones, personal care items and home health care products.

1983 Housewares department highlights

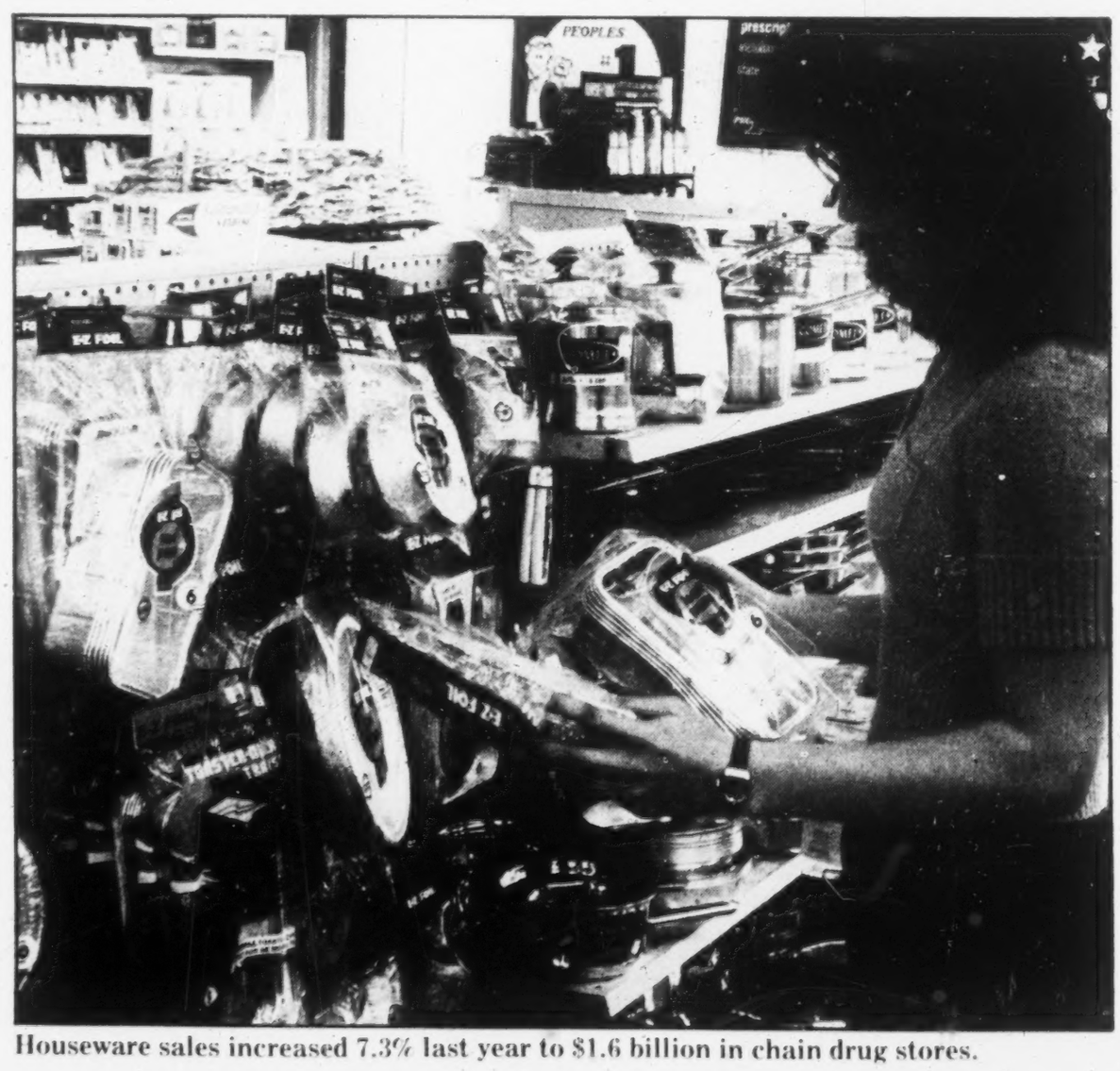
Chain drug housewares sales	$1,400,002,000
1983 percentage gain	+7.3%
Percentage of total chain drug sales	6.5%
Typical gross margins	35% to 45%
Industry gross profit yield from housewares last year	$490,-$665,000,000
Average no. of annual dept. turns	3

1983 Housewares department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Plastic & rubber housewares	$332,919	+7.4	22.5
Household supplies	194,387	+7.2	13.1
Small electrics	170,218	+7.5	11.5
Glass/dishware/cookware	163,199	+7.3	11.0
Paper products	128,105	+7.4	8.7
House & kitchen gadgets/gourmet	97,535	+7.6	6.6
Lighting products	77,216	+7.1	5.2
Picture frames/mirrors	61,173	+7.2	4.2
Insecticides	53,586	+6.1	3.6
Furniture/outdoor furniture	45,822	+7.6	3.1
Plant/plant care	42,089	+7.2	2.8
Bath/closet	30,144	+7.6	2.0
Shoe care	19,146	+7.0	1.3
Miscellaneous	64,463	+6.9	4.4

Source: *Drug Store News* survey

Plastic and rubber houseware items contributed 23% of the department's sales.



Houseware sales increased 7.3% last year to $1.6 billion in chain drug stores.

PRODUCTS

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Dolls, games spur toy sales growth

The once-explosive videogame market softened during 1983, leaving room for basic dolls and board games to steal a bigger chunk of the $10.4 billion toy market.

Drug chains account for only a small slice of that total market. Indications are, however, that their percentage is growing as more toy manufacturers seek increased distribution via mass outlets. The marriage is a lucrative one for drug retailers, too, because toys not only enhance their one-stop shopping image but also produce margins in the 35% to 40% range.

Toy sales reached $623.6 million in chains during 1983, a 6.4% jump over 1982. That fell short of the 15% overall gains reported by the toy industry, but was still a modest advance over the CPI. Toys account for 2.7% of drug chains' overall volume.

Drug store sales gains were produced mainly by the basic, inexpensive, impulse products. However, a few chains were savvy enough to snare a crop of Cabbage Patch Kids and Trivial Pursuit board games. Genovese, for example, was able to move every Trivial Pursuit game it got its hands on; while Pay Less gave away 2,700 pudgy Cabbage Patch Kids as a traffic draw.

Despite the well-publicized success of those two items, the real winners in toys last year in chain drug stores were board games, with sales up 7.1% to $102.5 million. Traditional games, such as Clue and Monopoly, fared well, as did licensed offerings, including Strawberry Shortcake and Pac-Man.

Pegged for sales

Pegged toys remained an integral part of the chain drug mix with sales rising 6.4% to $84.6 million. Pegged toys account for 13.6% of the chain drug toy department sales, and appear to be the vehicle manufacturers are using to enter the mass toy business. Lego, for example, recently bagged its line so that chain drug stores could sell the items.

Toy cars raced toward total sales of $80 million, a 6.1% jump over 1982. Again, the licensed concept, such as the Dukes of Hazzard theme, helped boost sales of cars. Hot Wheels by Mattel continue to be strong. In fact, over 500 million Hot Wheels cars have been moved in the product's 16-year history.

Price resistance impacted sales of boxed toys last year with sales rising only 5.8% to $72.7 million. Many chains weeded out boxed toys in favor of faster turning pegged products, board games and dolls.

Also, additional space was devoted to preschool, a category on an upward trend thanks to a baby boomlet. Sales rose 7% to $56.1 million last year.

Plush is flush

The plush category, once on the verge of being removed from chain drug stores, made a resurgence last year with the help of characters including Smurfs, Garfield and Snoopy. Sales increased 6.6% and now account for 7.5% of total toy sales.

Dolls also regained popularity last year. Paced by sales of Cabbage Patch, the entire doll category swelled to $46.6 million in chain drug outlets, 6.9% higher than in 1982. In addition to Cabbage Patch, Barbie continued to sell well. According to Mattel, the 25-year-old Barbie is purchased by more than 10 million people worldwide each year. Hasbro's Charmkins was another popular brand last year. The challengers for 1984 include Rainbow Brite, Rose Petal Place and Chatty Patty.

Two fringe toy areas had a marginal year. Kites sales rose 5.6% to $65.9 million and hobbies increased 6.7% to $37.4 million.

Video games on fritz

Video and computer products are also suffering. Sales in 1983 increased only 5.7% to $32.3 million in this category, which was once the darling of the industry. However, a great deal of that was amassed at the sacrifice of gross margins. The problem was that too many companies jumped into the business, causing a shakeout. Drug store retailers found the business just too tricky to maintain, and in 1983 many of them got out of both video and computer items.

For 1984, there are a host of hot new licensed prospects awaiting drug store retailers. These include Gremlins (characters from Steven Spielberg's next movie), Rainbow Brite, Rose Petal Palace, The Get Along Gang and Muppet Babies. Also, already established licenses including Cabbage Patch, Care Bears and Masters of the Universe are slated for a strong year.

Because toy space is limited for drug chains, buyers say they'll make sure a license is hot before taking it and hope it turns out to be a standard and not a fad.

1983 Toy department highlights

Chain drug toy sales	$623,580,000
1983 percentage gain	+6.4%
Percentage of total chain drug sales	2.7%
Typical gross margins	35% to 40%
Industry gross profit yield from toys last year	$215,-$250,000,000
Average no. of annual dept. turns	4

1983 Toy department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Games	$102,549	+7.1	16.4
Pegged toys	84,576	+6.4	13.6
Cars	79,203	+6.1	12.7
Boxed toys	72,705	+5.8	11.7
Kites	65,910	+5.6	10.6
Preschool	56,094	+6.9	9.0
Plush	46,584	+6.6	7.5
Dolls	46,220	+6.9	7.4
Hobbies	37,405	+6.7	6.0
Video/computer	32,334	+5.7	5.1

Source: *Drug Store News* survey

Board games were among the winners in the toy department last year as sales increased 7.1% to $102.5 million.

Pegged toys remained the most consistent performer in the chain drug toy department mix accounting for 13.6% of the department's total volume.

PRODUCTS

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Promotions push GM sales to $1.1B

Total chain drug sales in the general merchandise category were $1.1 billion in 1983, an increase of 9% over 1982. General merchandise accounted for 4.8% of the total 1983 drug store sales volume.

General merchandise products typically average five turns per year—with gross margins of between 35%-45%. Last year's gross profit dollars averaged between $385 billion and $495 billion.

Personal care accounted for the greatest percentage of dollar sales in this category, $203 million or 18%. Sales of personal care items increased 9.9% in 1983.

Small personal care appliances such as curling irons, blow dryers, and electric razors have done especially well in drug stores. While drug stores are not usually considered a popular outlet for such items, these stores have attracted customers by offering the best sku's along with competitive price selection. As in the case of hair appliances, it is not usual to find a drug store with a lower-price Windmere and a higher-end Sassoon.

These appliances have become popular promotional items with drug stores, which have been able to advertise the lower-end promo prices along with the more expensive brand names. These items also work well as seasonal promotions. For example, electric razors are often advertised for Christmas and Father's Day and hair appliances for Mother's Day.

Advertising effective

These efforts seem to be working. The December results of the Third Annual Consumer Study showed that almost 20% of those surveyed purchased their last small personal appliance in a drug store. And while many of these items have been promotional in nature, small appliances have still turned out to be profitable. Although gross margins sink as low as 10% when advertised, the everyday margins range as high as 35%.

1983 General merchandise department highlights

Chain drug general merchandise sales	$1,101,974,000
1983 percentage gain	+9.0%
Percentage of total chain drug sales	4.8%
Typical gross margins	35% to 45%
Industry gross profit yield from general merchandise last year	$385,-$495,000,000
Average no. of annual dept. turns	5

1983 General merchandise department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Personal care (incl. elec. razor)	$203,148	+ 9.9	18.4
Sunglasses	157,568	+ 7.9	14.3
Pet needs	132,205	+ 8.9	12.0
Sporting goods	117,733	+ 8.4	10.7
Pantyhose/soft goods	172,965	+ 9.8	15.7
Watches/bands	89,234	+ 9.4	8.1
Home electronics	82,376	+10.3	7.5
Yarn/sewing notions	70,765	+ 6.8	6.4
Vaporizers/humidifiers	18,086	+ 9.7	1.6
Giftware	24,251	+ 9.9	2.2
Personal care/ rubber sundries	17,328	+ 7.8	1.5
All others	16,315	NA	1.5

Source: *Drug Store News* survey

Sales of small personal appliances have also been boosted by healthy rebates offered by manufacturers. When these rebates are added to the retailers' sales prices, consumers can save substantially. With a $5 rebate, the final cost of a $7.99 Windmere curling brush is just $2.99—with a $9 rebate, the final cost on a $24.99 G.E. blow dryer—is just $15.99.

Pantyhose and soft goods accounted for the second largest percentage of sales in the general merchandise category—about 16%. Pantyhose and soft good sales were $173 million, a 9.8% increase over last year.

Working women

Retailers say the continued growth is because of the rising number of women in the workforce, who wear pantyhose during the week, and because drug stores are a convenient outlet to women, particularly if they are pressed for time and already in the store to buy other items.

Yet another reason for successful sales is that drug stores offer better price points than department stores. Along with name brands, some stores are now offering private label.

Although discount stores have made major inroads in the sale of sunglasses and the recession had discouraged some purchasing in drug stores, sunglasses still came in the third highest in the percentage of sales dollars in the general merchandise category. Sunglasses accounted for 14% of the category, bringing in $157.6 million, a 7.9% increase over last year.

Sunglasses are a desirable category with margins as high as 50% to 75%, so it's no wonder that drug stores have a fight on their hands to maintain dominance in this area. Statistics from the A. C. Nielsen Company showed that during the first 10 months of 1983, discount store sales of sunglasses were up an extraordinary 29% over the same period in 1982.

Another main competitor, supermarkets scored a 5% gain during the same period.

Because of the encroachment on their sunglass territory, drug store chains are expected to compete more aggressively this year using strategies that include increased advertising and heavy discounting.

Keeping Rover happy

Pet food and supplies continued to be a stable area, convincing retailers that this category is definitely recession proof. The fourth largest in dollar sales, pet supplies made up 12% of the general merchandise category. It accounted for $132 million in sales, an 8.9% increase over the previous year.

As in 1982, new products that kill fleas and ticks make up the fastest growing segment of pet supply departments. These chemicals rank second only to flea and tick collars. Retailers said sales of such collars were particularly good because of heavy advertising by manufacturers. Several buyers said effective promotion of Hartz Mountain's reflector collar has made this high-end item very popular.

In addition to being recession-proof, pet care is a profitable category with gross margins that range from 40% to 70%. Turns are good too, ranging from six to 10 per year.

While other segments of the general merchandise category accounted for smaller percentages of the general merchandise total sales, they did register high percentages of growth in 1983. Among those were home electronics, with a 10.3% increase over the previous year; giftware, 9.9% and vaporizers and humidifiers, 9.7%.

Selection, price points and manufacturer's rebates on small appliances helped personal care remain the largest segment of general merchandise with $203 million in sales.

Pantyhose and soft goods were again good sellers in the general merchandise category with $173 million in sales, a 9.8% increase over last year.

1984 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY

PRODUCTS

Cigarettes heat up tobacco sales

Fewer people may be smoking, but tobacco continues to be the fastest-turning category in the chain drug mix. As a department, tobacco turns 15 times per year; cigarettes alone turn even faster.

Sales—bolstered by price hikes of 20%, new merchandising techniques and new products—rose 9.6% in chain drug stores last year. Total volume hit $1.8 billion and tobacco snared 8% of total chain sales. That's down from a few years ago when tobacco produced 9.4% of total volume. Margins, however, have remained stable in the 15% to 20% range.

Additionally, tobacco results in lucrative display allowances from manufacturers as well as sales per square foot as high as $400 with counter displays.

The trend in cigarettes has been one of market segmentation. In 1975, a chain needed to carry only 60 brands to satisfy 95% of the customers. Today, a retailer needs to stock about 142 brands to please shoppers.

In addition to segmentation, the battle for market share between manufacturers has heated up. Last year, Philip Morris—manufacturer of Marlboro, the nation's No. 1 cigarette—passed R. J. Reynolds as the leading company. Philip Morris sold 205 billion cigarettes in 1983. Reynolds, on the other hand, saw its volume drop by 18 million units to 190 million. Its Winston brand slipped by 10 million units. The new rankings are as follows: Philip Morris commands 34.4% of the market, Reynolds 31.9%, Brown and Williamson 7.1%, American Brands 4.1% and Lorillard 4%.

In chains, cigarette sales rose 10% last year to a $1.2 billion. Cigarettes are the mainstay of the department and produce 66.4% of sales.

Brands that had a particularly good year included Marlboro, Newport and Players. Players falls into a classification known as luxury cigarettes—one of the areas showing strong growth. Another luxury brand, Satin, also performed well during 1983 and was especially successful with women.

Generics, another segmentation, continued as upward swing last year and now account for 3% of the market. Production figures show that 17.5 billion generic cigarettes were produced last year. That's up from 5.9 billion in 1982. It appears that the success of generics vary from market to market and store to store.

Cigars still second

Cigars are the second strongest category within the tobacco area. Sales of cigars rose 7.8% to $300.3 million last year thanks to a loyal following of cigar smokers. However, actual production of large cigars fell from 3.7 billion to 3.6 billion while small cigar production stayed even at 1.3 billion. Cigar sales remain tied to seasonal events especially Christmas and Father's Day. Price increases in cigars have triggered a change in buying habits from boxes to single-pack purchases.

Lighters and smoking accessories were a bright note in the tobacco department with sales swelling 10.1%; the highest sales gain throughout the category. Sales reached $153 million last year and buyers attribute growth to the rapid movement of disposable lighters which sell "as fast as shampoo." The disposable lighter market reached 475 million units or about $430 million last year. BIC, the market leader, predicts 500 million units will be moved in 1984.

Good lighter margins

The best feature of lighter and accessories is the margins which run as high as 35% to 40% and help offset the lower cigarette margins forced by competition. Chains say the high-impulse, high-profit lighters sell best at checkouts. Besides lighters, rolling papers, which are gaining in acceptance in the United States, also produce hefty gross margins.

Loose tobacco and other tobacco products also enjoyed a banner year, thanks in part to the success of snuff products. This category registered sales gain of 9.9% for a total of $132.9 million or 7.3% of total category volume. What's more, snuff is the only segment of the industry that showed actual unit growth last year.

Sales up 5%

Unit sales of moist snuff increased 5% last year and a great deal of that increase went to U.S. Tobacco Co., which controls an 88% share of the domestic snuff market. The company's big push has been on its Skoal Bandits product, a pouch of tobacco that the user places between the cheek and gum. Buyers tag it as a great new product that is bringing in incremental sales from new users.

These products are being merchandised near cigarettes rather than other tobacco items including chewing tobacco. Despite the success of U.S. Tobacco, few other manufacturers have entered the arena.

Finally, pipes remain a flat category for chain drug stores. Sales rose only 6.3% last year to $23.9 million. Pipes represent only 1.3% of the total category sales. However, it does appear that as one-stop shopping continues to blossom, chains are gathering pipe business that used to be done by specialty stores. Chain drug stores stick to a narrow selection of only the best-moving pipes.

Pipe tobacco production slipped from 33.6 million lb. in 1982 to 32.8 million lb. this year. However, buyers say the proverbial pipe-smoking professor still does exist and there is a need to carry both pipes and pipe tobacco in the drug stores.

1983 Tobacco department highlights

Chain drug tobacco sales	$1,814,672,000
1983 percentage increase	+9.6%
Percentage of total chain drug sales	8.0%
Typical gross margins	15% to 20%
Industry gross profit yield from tobacco last year	$272,-$363,000,000
Average no. of annual dept. turns	15

1983 Tobacco department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Cigarettes	$1,204,491,000	+ 10.0	66.4
Cigars	300,300,000	+ 7.8	16.5
Lighters/smoking accessories	153,047,000	+ 10.1	8.4
Tobacco/tobacco products	132,913,000	+ 9.9	7.3
Pipes	23,921,000	+ 6.3	1.3

Source: *Drug Store News* survey

Tobacco sales advanced 9.6% to $1.8 billion in chain drug stores last year.

Cigarettes represented the biggest segment of the drug store tobacco department. Chain drug cigarette sales rose 10% to $1.2 billion.

PRODUCTS

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

DIY's best sellers: automotives

1983 Do-it-yourself department highlights	
Chain drug do-it-yourself sales	$533,049,000
1983 percentage gain	+6.1%
Percentage of total chain drug sales	2.4%
Typical gross margins	35% to 45%
Industry gross profit yield from do-it-yourself last year	$185,-$240,000,000
Average no. of annual dept. turns	3

1983 Do-It-Yourself department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Hardware	$179,411	+4.5	33.7
Automotive	156,040	+7.9	29.3
Batteries	137,579	+7.5	25.8
Paint/paint supplies	60,019	+3.2	11.2

Source: *Drug Store News* survey

The DIY boom that sent category sales soaring during the late 1970's and early 1980's leveled off somewhat in drug stores last year as sales rose a modest 6.1%.

However, retailers are quick to point out that consumer interest in DIY products did not wane last year but the growth of home centers, hardware "supermarkets" and large discount auto parts chains began to cut deeper into the drug chains' share of the market.

As the DIY market became crowded in 1983, drug retailers were forced in some cases to cut back on some home improvement and hardware items because they simply couldn't compete with pricing strategies set by many high-volume home centers.

Overall, DIY department sales totaled $533 million, which represented approximately 2.4% of all chain drug sales.

But while drug chains placed less emphasis on their hardware and plumbing departments in 1983, the automotive products category continued to attract a great deal of interest among drug retailers. Despite the growth of discount automotive parts chains, drug store automotive department sales increased by almost 8% to $156 million. The auto segment contributed nearly 30% to the total category sales.

It's no coincidence that the expansion of drug store automotive departments has taken place at a time when drug chains have been purchasing auto parts chains. Most recently, Rite Aid and Pay 'n Save joined chains such as Dart Drug, Thrifty, Perry and Malone & Hyde by diversifying into the automotive parts business.

What has fueled the rapid development of the auto aftermarket industry? Observers say that the baby boom generation, a group with significant discretionary income, has contributed to the industry's growth because members of the 18-34 age bracket are more likely than their parents to attempt their own automobile repairs.

At the same time, hard economic times during the past decade have prompted automobile owners of all ages to perform such minor repairs as changing the engine oil and replacing spark plugs and oil and air filters.

Number of autos rises

In addition, the market continues to expand as the number of automobiles per household increases each year. Since 1970, the number of automobiles on American roads has increased 38% to more than $123 million. And while new car sales rebounded dramatically this year, the average American automobile on the road today is still seven years old and a prime candidate for repair work.

Given these factors, it's not surprising that drug retailers have moved to increase the size of their automotive departments in recent years. It's also important to note that profit margins on automotive parts for the most part are consistently higher than margins found in many other drug store categories.

Generally, drug retailers split their auto parts departments into two main categories. Chemicals, which include motor oil, antifreeze, coolants, starting fluids and windshield washer solvent, comprise the biggest segment of the auto department.

Most chains use products like motor oil as a traffic draw. By offering quarts of nationally branded motor oil at prices frequently under $1, drug retailers say they can lure customers into the store where they are more likely to purchase a higher-margin accessory item.

While drug chains are frequently working on margins as low as 10% with motor oil, gross margins on some of the other chemical products are significantly higher. Retailers reported that the unseasonably cold winter last year helped increase sales by 40% to 50% of such products as de-icer, windshield washing solvent, and antifreeze. These products carry margins of 15% to 25%.

The other major segment in most drug chain's auto departments are accessories. While turns on such items as steering wheel covers, upholstery repair kits, seat covers, floor mats and numerous pegged accessories don't compare with motor oil turns, these products can often carry margins of between 35% to 45%.

Accessories are more of an impulse item than are chemicals, which are usually planned purchases. Retailers have noted that accessories also appeal more to female shoppers.

But while chain drug automotive departments turned in a strong performance in the face of increased competition, the hardware department was not as fortunate.

Hardware sales managed only a 4.5% increase in 1983. Sales totaled $179.4 million and contributed 33.7% to the department's overall volume.

The success of the huge home center warehouse stores slowed hardware sales considerably in drug stores last year. Many chains cut back on tool departments, plumbing supplies and electrical products.

Requests determine mix

Instead of offering a wide selection of hardware products, drug chains relied on frequently requested items as extension cords, electrical fixtures, light bulbs, glues and cements, tapes and common household tools.

Retailers say that even with a leaner hardware mix, they are still able to snare impulse purchases. In addition, because drug stores generally have longer operating hours than home centers, consumers in a hurry to get a fuse or drain plunger can usually find these items in their neighborhood drug stores.

Drug chains have also been successful with hardware items that are promoted in coupon books. Among the chains that reported good results using coupon books were Apex Drug, Sentry Drug, Genovese, Carls and Medicare-Glaser.

With average margins of 37%, drug chains can afford to promote products such as pliers, screwdrivers, socket sets and hand trucks and still obtain satisfactory margins.

Home improvement products such as paint supplies, rollers, spray paints, rust-inhibitors and metal polishes suffered the same fate that the hardware department did. Paint and paint supplies showed marginal increases of 3.2% in 1983. Sales totaled $60 million

Batteries not down

Batteries ran a close second to automotive supplies last year in running up the biggest sales increase from the previous year. At the close of 1983, battery sales stood at $137.6 million, up 7.5% over 1982. Batteries accounted for nearly 26% of the DIY department sales.

The increase in battery sales also came during a year when many of the new toy introductions did not require batteries. However, sales of batteries for radios, tape players and calculators were extremely good and offset any reduction in demand for batteries in toys.

Battery sales also received a shot in the arm from the growing demand for miniature "button" cell batteries used in a variety of consumer electronics, cameras and watches. Button cells and triple A batteries currently account for 12% of all battery sales and are expected to grow over the next few years. Double A batteries with 45% of the category's sales, followed by D size and C size with 18% and 16%, respectively, are the leading sellers. Buyers also noted growing interest in the rechargeable battery category. However, retailers believe that manufacturers will still have to do a better job educating consumers about the advantages of rechargeables before they become a factor in the overall category sales.

Battery sales increased 7.5% to $137.6 million last year and accounted for 26% of the DIY department total volume.

PRODUCTS

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Food/beverage sales top $1 billion

Strong gains in sales of alcoholic beverages and snack foods helped drug retailers register a 7.7% increase in the food and liquor category last year.

Overall, sales of grocery, soft drinks and alcoholic beverages rose to $1.1 billion last year. That represents approximately 4.5% of all chain drug sales.

Liquor and wine contributed nearly half the department's total sales volume in 1983. The 8.3% increase in the liquor and wine segment was bigger than the increases generated by any other segment in the food and liquor department. All told, liquor and wine sales totaled approximately $531 million in drug stores last year, or 47% of category sales. This, of course, is even more impressive considering that not all states allow alcoholic beverages to be sold in drug stores.

But just as consumers have come to expect to see food items in drug stores, many buyers say, the same is now true of alcoholic beverages. Given the choice of making a separate shopping trip to a liquor or package store to purchase a bottle of wine, retailers say a consumer will be just as inclined to pick up the item in a drug store as long as the price is reasonable.

Because of the multitude of state and local laws that dictate how drug retailers can merchandise and advertise alcoholic beverages, turns can average anywhere from the industry average of nine to 10 turns a year to a high of 40 to 60 turns.

The other major component of the alcoholic beverage segment, beer, also did well in chain drug stores last year. While most chains use beer in much the same manner they merchandise high velocity grocery items—as a traffic draw—a number of chains have begun introducing permanent beer departments in their stores.

In 1983, chain drug beer sales amounted to $73 million, up approximately 7.3% from the year before.

Liquor and wine, which accounted for 47% of the food and liquor department's total volume, generated sales of $531 million in drug stores last year.

1983 Food/liquor department highlights

Chain drug food/liquor sales	$1,127,773,000
1983 percentage gain	7.7%
Percentage of total chain drug sales	4.9%
Typical gross margins	15% to 20%
Industry gross profit yield from food/liquor last year	$170,-$225,000,000
Average no. of annual dept. turns	12

1983 Food/liquor department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Liquor/wine	$530,690	+8.3	47.1
Soft drinks	160,419	+6.9	14.2
Nuts	91,787	+7.9	8.2
Snacks/cookies	83,194	+7.8	7.4
Beer	72,976	+7.3	6.5
Canned goods/ condiments	51,982	+8.1	4.6
Dry groceries	44,631	+6.3	3.9
Other foods*	92,094	+6.1	8.2

*Includes health foods

Source: *Drug Store News* survey

Beer accounted for an estimated 6.5% of the food and liquor department sales in drug stores last year.

Another category in the food and liquor department that is rapidly becoming an everyday section in drug stores is snack foods. For many years snack foods were strictly a deal item for most drug chains. However, many astute drug retailers have seen the similarities between snack foods and candy, which has long been considered a core drug store category.

Snack foods, like candy, generate high profits and turns. One merchandise executive for a Florida-based chain said that snack foods were turning at a rate of nearly 50 times a year. Items like potato chips, corn chips and cookies, retailers say, are just as much an impulse item as candy is.

In the same vein, drug retailers have found that nuts have produced outstanding results both as an everyday item and as a promotional tool. Peanuts, almonds, cashews, mixed nuts, besides featuring high margins when priced at everyday prices and fast turns when sold at promotional prices, pose less problems in terms of dating than most other snack foods. Retailers say that the longer shelf life of nuts has prompted them to expand the space allocated for these products.

Retailers also have become more sophisticated in merchandising snack foods. Many chains have developed snack food departments that rival those in supermarkets. Chains are capitalizing on the high-impulse appeal of both snack foods and soft drink beverages and have begun to cross-merchandise them.

Vendors eye chains

At the same time drug retailers have recognized the potential of snack foods, manufacturers of these products are viewing the chain drug market with heightened interest. Many suppliers have come to view accounts as Walgreens, SupeRx, Peoples and Longs in the same light as they do their supermarket accounts. In some cases, drug retailers say manufacturers have presented programs to them that have been designed specifically for the drug and mass merchandise outlets.

Measured collectively, snack foods/cookies and nuts accounted for nearly 16% of all food and liquor sales last year in drug stores. Nuts alone generated sales of $91.8 million, up 7.9% from 1982, and contributed 8.2% to the category's total volume. Snack foods such as chips, crackers and cookies produced sales of $83.2 million, a 7.8% improvement over the previous year. Snack foods represented an estimated 7.4% of all food and liquor sales.

Thirst quenchers

Soft drinks and juices also continued to grow in importance for many drug chains. While chains have long been aware of the pulling power of a 2-litre soda promotion, many retailers have begun to recoup some of the lost margins on these types of promotions by offering a permanent planogrammed soft drink department.

In addition, by installing coolers in stores whenever possible, some chains have been able to rack up margins as high as 35% on single cans or bottles of soft drinks. But for the most part chains that have introduced permanent soft drink departments are working on margins in the 20% range, which when combined with turns of between 20 and 30 can make the soft drink category "extremely viable" in the words of one buyer.

During 1983, drug chains rang up more than $160.4 million in soft drink sales, 6.9% more than 1982. Overall, soft drinks accounted for a hefty 14.2% of the food and liquor department sales.

Buyers reported that one of the fastest-growing components of the soft drink category in drug stores last year were juices. As Americans have become more health conscious the perceived nutritional value of juices have increasingly appealed to consumers.

Aseptic fan club

Aseptic containers, one of the more novel juice-packaging innovations to come out in several years, caught on in drug stores last year. The new aseptic containers, in addition to being popular with consumers because of their convenience, have also received high grades from retailers who have reported less breakage and greater flexibility in merchandising the aseptics.

As traffic draws, canned goods/condiments and dry groceries rank among the most effective products that drug retailers can promote on a regular basis. Among the more popular food promotions are ketchup, mustard, sauces, dry cereals, cake mixes, instant coffee, tuna fish and canned meats.

By offering these fast-turning items at bargain prices to price-sensitive consumers, drug retailers have been able to preserve their discount image. At the same time, selling food on an in-out basis can enable drug chains to prevent further erosion of the H&BA and OTC sales to supermarkets.

Last year dry groceries generated sales of $44.6 million in drug stores, an increase of 6.3% over the previous year. Canned goods/condiments grew at a faster rate in 1983, with sales increasing 8.1% to nearly $52 million.

However, while grocery products are primarily promotional products for many drug chains, interest in full-line convenience food departments has not diminished. In fact, more chains than ever are testing and rolling out convenience food departments.

The key to successful mini-combo food units, retailers say, is not to compete with supermarkets in pricing or selection. Chains like K&B, Walgreens, Peoples and SupeRx are offering consumers a wide range of food items but at prices that can provide them with decent margins.

Snack foods and nuts collectively represented 16% of department sales.

1984 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY

PRODUCTS

Upscale products boost photo sales

The addition of upscale 35mm cameras and related products along with film processing and its promotion have resulted in another strong year for drug store photo departments.

The 11.3% increase in photo sales last year kept this category in the top eight drug store departments experiencing the greatest percentage of growth in 1983.

Photo departments accounted for about $960 million in sales for the chain drug industry, a figure that broke down to approximately 4.2% of the sales in a typical drug store.

These departments continue to be successful. Their margins of 20% to 25% combined with above-average turns yield high gross profit dollars. Moreover, the department creates traffic for the rest of the drug store. Each roll of film generates three customer trips: One to buy it; a second to drop it off for processing, and a third trip to retrieve the finished prints or slides.

Within drug store photo departments, film and processing are the two strongest categories, with 1983 chain drug sales of $382 million and $304 million, respectively. Film sales, which increased by 11.3% in 1983, made up about 40% of the entire photo sales category, while film processing, which increased 14.7%, accounted for about 32%.

The most popular film was "still" color, which increased in sales by 15.8% in 1983, and made up almost 53% of film sales. The second most popular film was instant, which made up almost 44% of film sales. However, the increase in sales of instant film was 6.9%, far less than that of still color.

The reason for high sales in these categories is that consumers tend to buy film and have it processed at drug stores more than anywhere else. In fact, the December results of the Third Annual *Drug Store News* Consumer Survey shows that almost half of the respondents bought their film and had it processed at drug stores.

1983 Photo department highlights

Chain drug photo sales	$959,618,000
1983 percentage gain	+11.3%
Percentage of total chain drug sales	4.2%
Typical gross margins	20% to 25%
Industry gross profit yield from photo last year	$192,-$240,000,000
Average no. of annual dept. turns	9

1983 Photo department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Film	$382,195	+11.3	40.0
Still color	200,961	+15.8	21.0
Instant	166,811	+ 6.9	17.4
Movie color	10,413	+ 2.7	1.1
Still B&W	4,010	+10.2	0.4
Processing	304,449	+14.7	31.7
Flashbulbs/flash attachments	174,991	+ 6.4	18.2
Cameras	97,983	+ 9.9	10.2

Source: *Drug Store News* survey

Survey results

Of those surveyed, 43% had their last roll of film processed at a drug store compared to 14% who went to discount stores, and 10% to processing kiosks. The Jack Eckerd Corp., in fact, is one of the top 10 film processors in the United States.

When it came to purchases of film, flash cubes and batteries, 49% chose drug stores as well. This was more than double the 24% who made such purchases at discount stores. Drug store sales of flashbulbs and attachments increased by 6.4% to $175 million in 1983, about 18% of total photo sales.

While it seems natural for consumers to have film processed at the location where it was purchased, chains have been able to encourage sales with attractive promotions, such as giving a free roll of film with every processing order or two prints for the price of one.

During 1983, drug chains were also able to take advantage of the growing consumer preference for 35mm photography.

35mm trend

This signals a trend, because just five years ago such items were scarce in drug stores. At that time, those who purchased cameras at drug stores steered away from 35mm models because they were complicated and more expensive.

However, with the advent of simplified 35mm cameras and the availability of lower-priced models there has been a boom in 35mm photography. Another reason for the trend is an increased awareness of the better 35mm photo quality, which some say was sparked by comparing 35mm pictures with those produced by the Disc.

Ironically, the introduction of the Disc in 1982 helped revive sagging camera sales that year and boosted film-processing sales. But now that many consumers are turning away from the Disc and 110s in favor of better quality.

As a result of this trend, drug store buyers have been increasing their stock of 35mm cameras, particularly those inexpensive ones, and the needed film and other products. Many are placing less emphasis on the Disc and the 110.

Some chains reported they had been particularly successful with low-end 35mm cameras advertised at promotional prices as low as $29.95 during holidays such as Christmas and Mother's Day.

Camera sales rise

The total sales of cameras increased by 9.9% in 1983 to about $98 million—about 10% of all photo department sales.

While drug retailers see the 35mm market growing, many buyers have been careful not to try to compete with camera stores by offering higher-priced cameras or those that require extensive sales assistance. However, some chains do carry cameras that cost as much as $200.

And even though there is a shift toward 35mm cameras, many buyers say the Disc and 110 remain viable products for drug stores. Some say the drop in sales of these cameras has mostly been experienced by camera stores and mass merchandisers. In addition, some buyers report that although they have experienced an increase in sales of 35mm items, it has not been at the expense of Disc or 110 sales.

While the Disc and 110 still seem popular at drug stores, at least one buyer pointed out that consumers no longer seem willing to pay the premium price for such cameras or instant film.

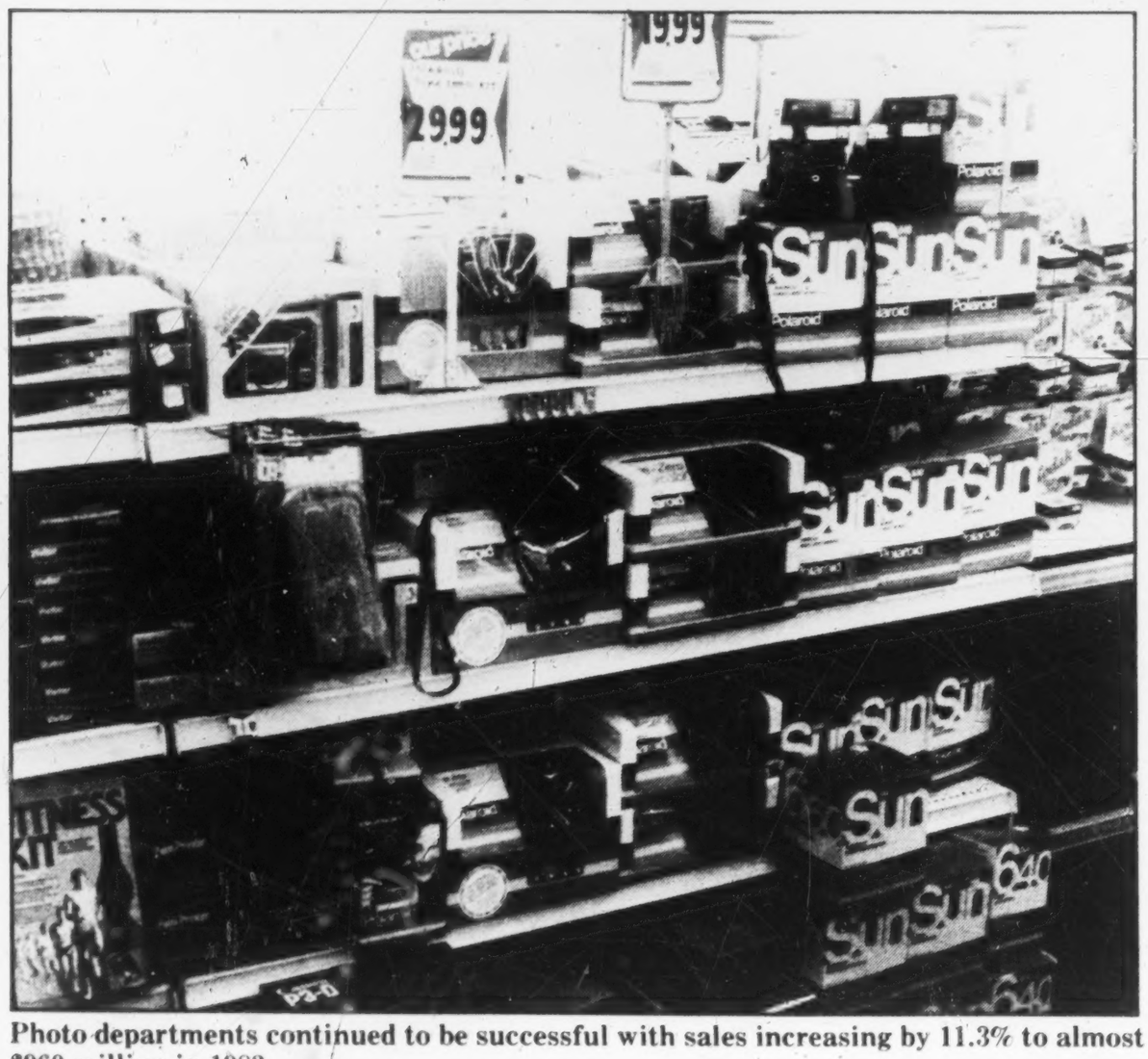


Photo departments continued to be successful with sales increasing by 11.3% to almost $960 million in 1983.

The ever-popular drug store film processing departments flourished in 1983 with an increase in sales of 14.7% to over $304 million.

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Candy sales rise 12.5% in '83

Recovering from the 1982 Halloween product tampering scare that caused candy sales to plummet between 40% and 50%, this category made a strong comeback in drug stores last year.

Sales increased by 12.5% in 1983—a sweet contrast to the 5.3% increase registered in 1982. Total sales rose to $783 million last year, the same level as before the tampering scare.

Candy made up 3.4% of total chain drug sales in 1983 and accounted for between $195 million and $235 million in gross profit dollars. Candy typically averages 25% to 30% gross margins and 5.5 turns per year.

While the category is healthy now, retailers were doubtful during the height of the tampering scare that holiday candy sales would ever return to normal. However, a combined manufacturer-retailer effort successfully freshened sales. That effort included a public information program undertaken by the National Confectioners and the Chocolate Manufacturers Associations along with aggressive marketing and merchandising campaigns by individual manufacturers such as Hershey, Mars, Peter Paul Cadbury and Whitman's Chocolates.

At a local level, retailers also took advantage of generous co-op advertising dollars. Sales for bagged candy, the most common Halloween packaging, rose to $295 million in 1983, a 13% increase. The increase reported in 1982 was only 5.3%. Bagged candy accounts for about 38% of all candy volume. Sales for Halloween bagged candies alone can account for between 7% and 10% of a department's average volume.

1983 Candy department highlights

Chain drug candy sales	$782,948,000
1983 percentage gain	+12.5%
Percentage of total chain drug sales	3.4%
Typical gross margins	25% to 30%
Industry gross profit yield from candy last year	$195,-$235,000,000
Average no. of annual dept. turns	5.5

1983 Candy department productivity

Category	Total sales (add.,000)	% of increase	% of dept. sales
Bagged	$295,295	+ 13.0	37.7
Boxed	155,359	+ 11.4	19.8
Bars	233,696	+ 13.2	29.8
Chewing gums	83,437	+ 12.1	10.7
Others	15,161	+ 4.9	1.9

Source: *Drug Store News* survey

Bar sales up

Sales of candy bars, which account for about 30% of all candy sales, went up 13.2% to $234 million in 1983.

This increase reflects the growing popularity of the higher-ticketed (50¢) candy bars. Some retailers explain that this preference is a result of manufacturer advertising. Others say remerchandising of candy departments has also helped. One manufacturer said the growing popularity of expensive gourmet chocolates had influenced consumers not only to see real chocolate as a desirable food, but to accept higher prices for higher quality.

Boxed candy was also a good seller last year. Sales were at $155 million, up 11.4% over 1982. This segment made up almost 20% of the entire category's sales.

Holiday favorites

Boxed candy sells best at Christmas, followed by Valentine's Day then Easter. In fact, this segment did so well in 1983, that Whitman's Chocolates said it experienced one of the best Christmas seasons ever.

The company said that Eckerd Drug sold more units per store of the manufacturer's most popular boxed candy—the Whitman's Sampler—than it had during the past. Thrifty Drug, Genovese Drug and Gray Drug Fair also posted strong Christmas candy sales gains. A Whitman spokesman said it appears that the trend is continuing in 1984 with record-breaking Easter sales for the company.

While chocolate is still the king of candy, retailers reported gains in other confectionary items. Gum, for example, had a healthy increase of 12.2% over 1982. Sales were over $83 million, about 11% of the entire category.

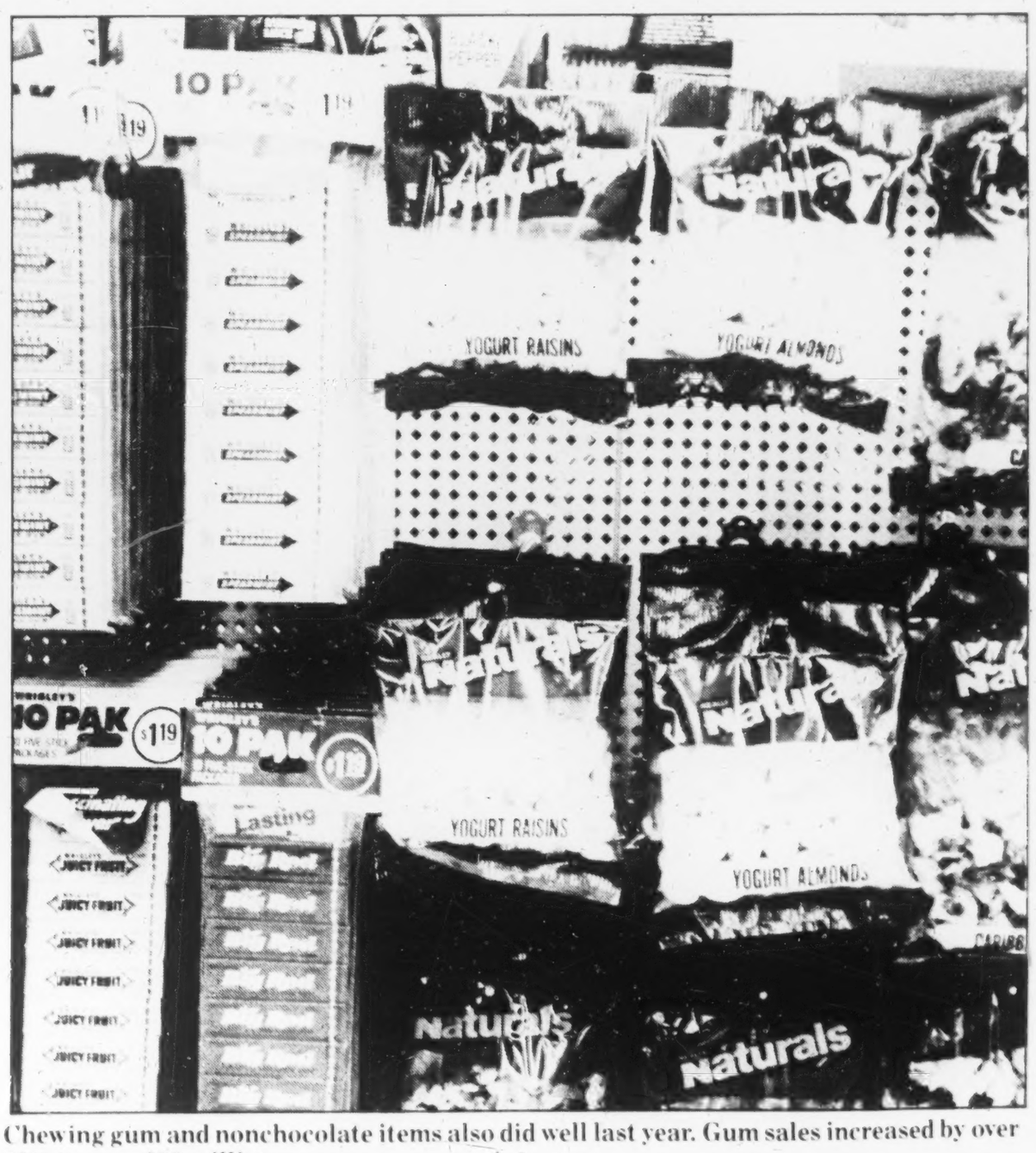
Buyers also reported increased sales of such nonchocolate confectionary items, typically rolled candies, jelly beans, licorices, gums and mints. Some said increased sales could be attributed to the growing popularity of seasonal candy sets.

A number of chains, in recent years, have increased their emphasis on these items during the summer months when demand frequently falls off for chocolate products because of the heat. From June through September, many buyers said their merchandising emphasis is on nonchocolate items.

Sales of boxed candy, a favorite at Christmas, Valentine's Day and Easter, increased by 11.4%, to $155 million.

The sale of nonchocolate products increased by 4.9% in 1983 to $15 million. This is about 2% of the entire candy category.

Candy made a healthy recovery from the 1982 Halloween tampering scare with sales rising to $783 million last year, a 12.5% increase.



Chewing gum and nonchocolate items also did well last year. Gum sales increased by over 12% to over $83 million.

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

SupeRx clustering plan pays off

CINCINNATI—The SupeRx Drug Division of the Kroger Company turned in a strong financial performance in 1983, fueled by improvements in marketing and distribution strategies.

For the year ended Jan. 31, operating profits were up 80% to $27.2 million while sales increased 10% to $790 million. Parent Kroger Co. did not do as well. Net earnings for the year declined 34% to $127 million even though sales increased 3% to $15.2 billion.

In addition to the 606 SupeRx stores operated at year end, Kroger also operated 1,200 Kroger food stores, 226 Dillon stores and 352 Dillon convenience stores.

Nineteen eighty-three was the second year in a row SupeRx performed particularly well for Kroger. Last year the chain turned in a 133% increase in pretax operating profits on a sales hike of just 5%. But last year's profits also included a $4.3 million one-time gain from the sale of 21 Houston area stores to Walgreens.

SupeRx's 1983 financial performance seems to indicate that the chain's management has found a long-term key to growth. Part of the improvement was due to the elimination of stores in underdeveloped markets, while the rest was due to better support strategies for existing stores.

Pattern abandoned

SupeRx has completely abandoned its earlier haphazard pattern of growth, which spread the chain too thin in too many markets. Today the chain is busy "clustering" stores in its major markets, seeking the economic efficiencies that come once a chain has adequate population density.

Just a few months ago, management opened its third regional warehouse in Bluffton, Ind., making it possible for the chain, for the first time, to operate a central distribution system. All SupeRx stores now receive service from the warehouse, and approximately 70% to 80% of the store mix flows through the distribution centers.

In March, Kroger reorganized its buying department so that all replenishment orders are now made through the centralized warehouses.

SupeRx's management anticipates a $20,000 a year per store savings once the system has been in effect about a year. That translates into a $12 million savings for SupeRx plus another $24 million for Kroger's food stores.

Costs lowered

For the past two years, SupeRx has been steadily trying to lower overall acquisition costs while simultaneously improving turns, and in some highly saturated markets like Cincinnati, that goal has been accomplished.

In those markets, SupeRx has launched aggressive Rx and print ad campaigns stressing low everyday prices and the competence of the chain's pharmacists.

In 1984, the company will continue to open new stores, but the strongest emphasis will be placed on remodeling. SupeRx plans to remodel at least 50 and possibly 100 stores in 1984 compared to 20 in 1983. It hopes to open 20 to 30 new stores in 1984, compared to 50 in 1983.

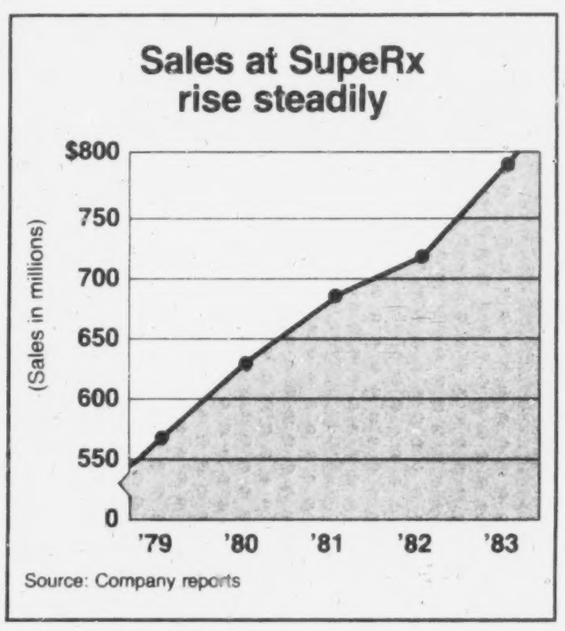
The remodels are not just refurbishments, but major upgrades that include new graphics and new departments.

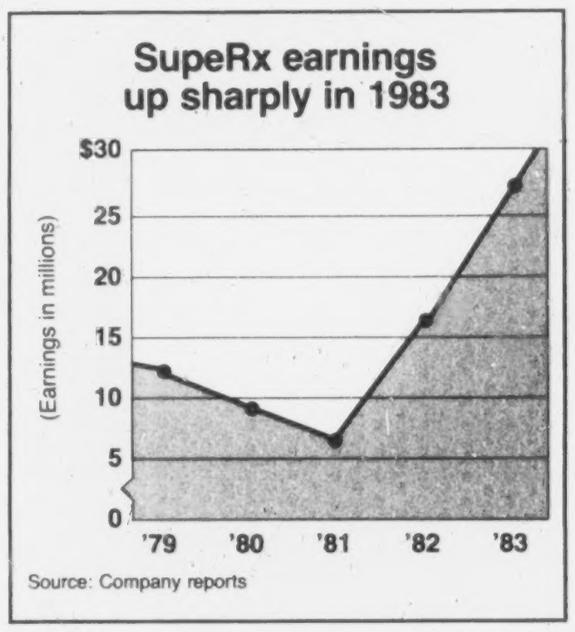
SupeRx will also continue to expand its food and drug combo stores. The chain had 19 combos at the end of 1983, and management plans five more for 1984. SupeRx liquor stores will also be expanded. Five more will probably be added in 1984 for an estimated year-end total of 23.

SupeRx also operates five deep discounters under the name Drug World, but this concept is not yet a growth vehicle for the company.

There will also be a handful of Optical Centers opened in 1984. there are about 45 in the chain now. SupeRx is also opening drug/food convenience stores in select markets.

There are also a handful of drug stores with delis and one with a restaurant, and if these experiments ultimately prove successful, the formats could be expanded.





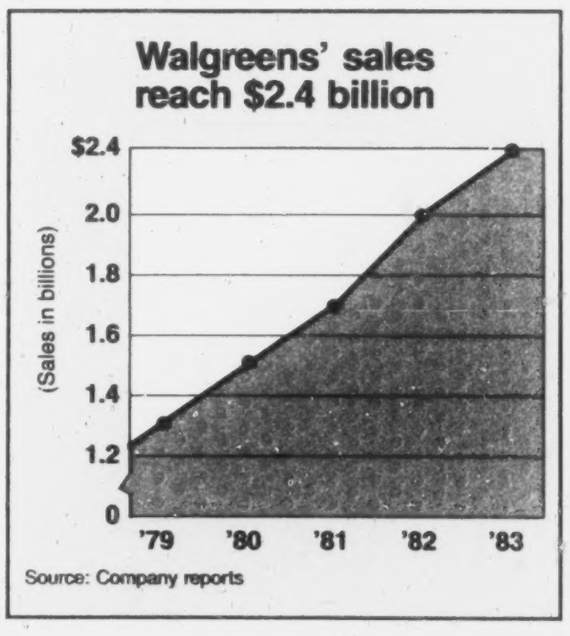
Walgreens expansion marches on

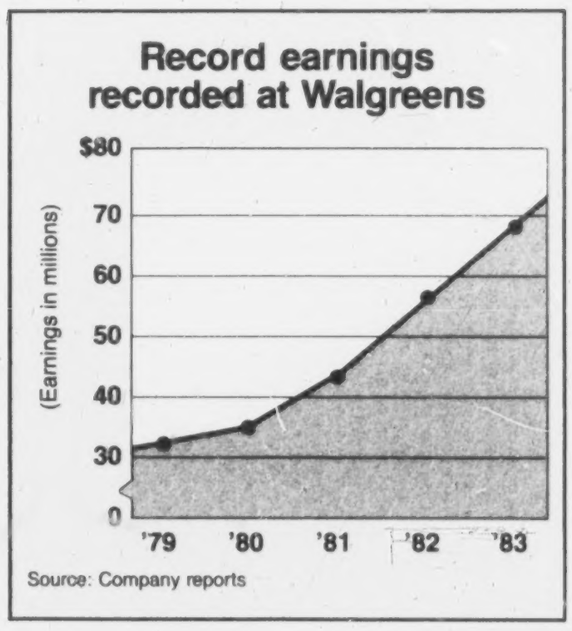
DEERFIELD, Ill.—Walgreens will hit an important milestone this summer as it unwraps its 1,000th drug store. The mark will be reached with the opening of a new unit right where the chain got its start—Chicago.

Reaching 1,000 units this year is just one part of the chain's steady and calculated growth pace. During fiscal 1983, ended Aug. 31, Walgreens opened 67 new drug stores for a total of 941. For 1984, the chain has set its sights on 80 new drug outlets. It's all "growth according to plan," says the chain's president Fred F. Canning.

Established Walgreens markets will receive the bulk of new store activity. However, Walgreens did announce it would seek new markets including the surprise announcement that the chain will increase its presence in New York City, a market from which the chain had been retreating. Calling the Northeast one of the "most underchained markets in the country," chairman Charles R. Walgreen III said Walgreens would open in four new locations in the "Big Apple." The first should open later this fall in Brooklyn.

Additional expansion is brewing in Chicago, including heavy penetration into the Loop, where there are currently six units with plans for a seventh. Other markets Walgreens feels can support more stores are the San Francisco Bay Area (where 11 units will open this year), Milwaukee, St. Louis, Denver and the states of Texas and Florida.





Expansion funds

Walgreens continues to handle expansion primarily from internally generated funds. Last year $51 million was set aside for expansion. The company hopes to add a minimum of 8% of selling space each year.

Remodeling is also important, and over $22 million has been budgeted for remodels in 1984. Last year, 55 stores were remodeled; 70 will be updated this year. Walgreens reports that the rate of sales "dramatically improves following a remodel."

Despite a 59% lower equity income from Walgreens' Mexican affiliate, Sanborns, overall earnings hit a new record of $69.8 million. It was the ninth consecutive year of record sales and earnings for the chain.

Sales last year reached $2.4 billion, up 15.7% from 1982 when Walgreens first cracked the $2 billion mark. The drug store division sales registered a 16.3% gain, aided by Rx sales which jumped 24.7% over last year. LIFO-adjusted earnings rose 24.5% to $69.8 million—double the earnings of just three years ago. Walgreens has realized a compound growth rate of 24% over the past five years.

The chain has made some dramatic improvements over the years. In 1979, its net-to-sales ratio was 2.25%. In 1983 it hit 3%. Each 10th of a per cent of this figure, Walgreens says, adds well over $2 million to the bottom line. In addition, state-of-the-art warehouses have helped lower distribution costs by 29% over the past five years. The company plans to invest $10 million more to upgrade existing distribution centers in Houston and Memphis.

Strong performance

This strong performance has generated healthy dividend growth. Factoring in two stock splits in the past two years, Walgreens has gone from an annual rate of 34 ⅜¢ in 1979 to 60¢ in 1983, a 75% increase.

Walgreens' 941 drug stores each pump out about $2.4 million a year in sales. The average drug store in 1983 was about 9,000 sq. ft. with sales per square foot of $266.

PROFILES

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Peoples acquisition is biggest ever

ALEXANDRIA, Va.—The marriage startled the industry.

Imasco Ltd., the powerful Canadian retail holding company, took the hand of Peoples Drug Stores, the 11th largest drug chain in the United States. It was the biggest wedding in the chain drug history.

Although startling, the match was, on reflection, logical. Imasco, whose giant Canadian drug chain, Shoppers Drug Mart, faced limited growth opportunities in its home country, was looking south of its border for a quality acquisition.

And Peoples, with its fast-track growth record and strong management team, fit the bill. The purchase price, at $34 a share, came to $320 million.

Together, Peoples and Shoppers Drug Mart operate more than 1,000 stores, and Peoples president and ceo Sheldon Fantle envisions expansion possibilities that could result in the largest drug chain in North America. Fantle will sit on Imasco's board along with his Canadian drug chain counterpart, David Bloom.

For Peoples, one of the keys to accepting the friendly takeover bid was Imasco's "deep pockets." The Alexandria, Va.-based chain for several years has been moving forward with a strategic growth plan whose goals is to achieve 1,000 stores, $2 billion in sales, a 3% net-to-sales ratio, four asset turns a year and a 20% return on shareholder equity—all by 1990. Imasco's cash is expected to accelerate the plan.

Another key: Peoples will retain its autonomy. Imasco has said it has no intention of interfering with a company that has been moving in the fast lane ever since Bud Fantle and Adrian Israel came to Washington nine years ago with ambitious plans for their newly acquired drug chain. Today Peoples is No. 1 in the Washington market, and No. 1 or No. 2 in its four other major markets—Indianapolis, Atlanta, Toledo, Ohio and Tidewater, Va.

Last year's operating results show just how far the chain has come in nine years.

In the fiscal year ended last September, Peoples reported a 30% increase in net earnings to $13.7 million from $10.5 million the previous year. Sales for the year increased 15% to $791 million from $688 million. In addition, the chain's net-to-sales ratio moved up to 1.7% from 1.5% on its way to the 1990 goal of 3%.

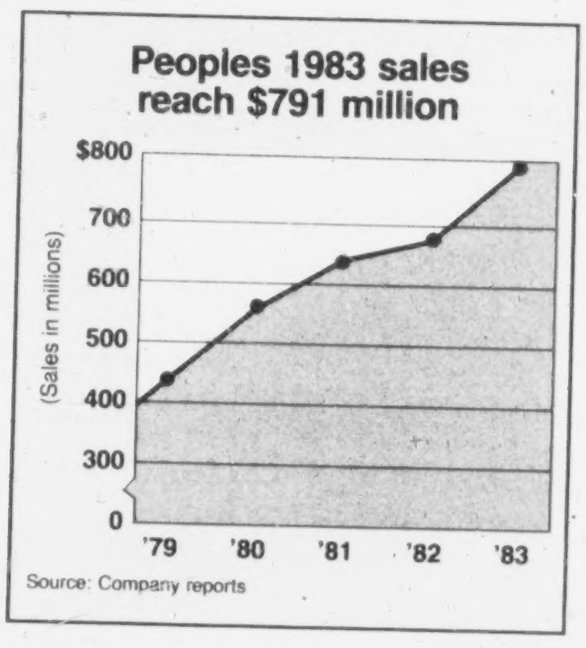
For the first quarter of the new fiscal year, Peoples was off to another flying start. Earnings were up 24% to $6.4 million and sales gained 13% to $282 million.

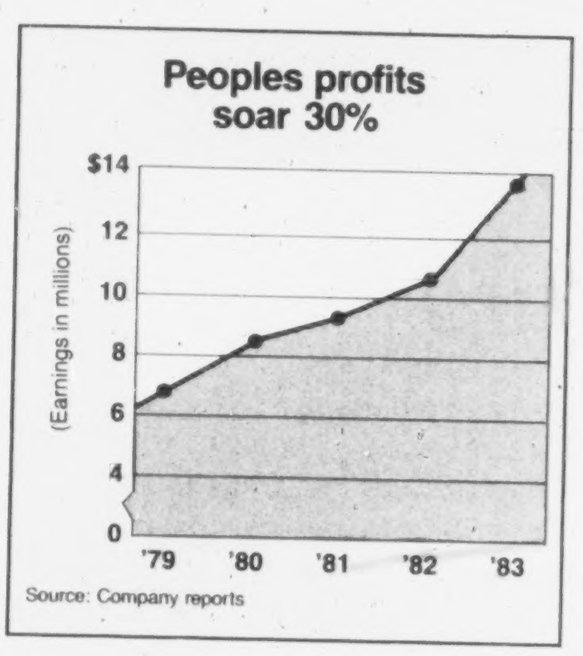
Part of 1983's successful results can be attributed to the gradual phasing in of Peoples' Advanced Inventory Management System (AIMS). The objective is to automate and simplify time-consuming manual buying and promotion functions. The system provides buyers with computerized information on deals from major vendors, cooperative advertising allowances and how the products move when advertised. It also allows them to buy and plan advertising and promotional programs with their desk-top computer terminals, and it keeps them up to date on inventory levels and special buys for every product in the mix. The system is expected to be fully operational by the end of this year.

The chain's store opening and remodeling programs also helped the results. For the year, Peoples wound up with 575 stores, a net gain of 36. Expansion plans in the current year are even more ambitious. The chain projects 60 new stores and a year-end store count of 630.

The company's remodeling program also added sales velocity. Peoples' ultimate goal is to consolidate all of its far-flung stores under the Peoples logo. Last year, 43 Haag stores in the Indianapolis area were converted to the Peoples banner and merchandise mix.

In 1983, Peoples began an assault on a new market, Baltimore, which is dominated by Rite Aid. The blitz began with the acquisition of eight Sav-A-Lot stores in November. Six more sites have since been lined up, and Peoples expects to have as many as 40 units in operation within two years. Baltimore is a natural extension, in Fantle's view, because it is a rich market (almost $400 million in retail drug sales) that lies within 50 miles of Peoples' Washington stronghold. The chain's hefty television budget will thus be strained hardly at all in covering the new territory.





Revco poised to hit $2 billion mark

TWINSBURG, Ohio—With sales increasing sharply in the first three quarters, Revco D. S. Inc. should crack the $2 billion barrier by the end of fiscal 1984 this May.

That will be just one more feather in the cap for the world's largest drug chain, which was operating 1,748 stores in 28 states at the close of the third quarter on Feb. 4.

As impressive as its sales growth has been, Revco has been racking up even stronger growth in profits. While sales for the 36 weeks increased 17% to $1.4 billion, net earnings advanced 29% to $52.6 million.

In fact, profit growth has outstripped sales growth in every quarter for the past two years. The result is that the chain's net-to-sales ratio has been moving steadily upward. For the year to date, the company's net margin increased by 0.3 of a percentage point over the previous period to 3.7%.

For the fiscal year ended last May, Revco's profits increased 34% to $66.5 million, while sales rose to $1.8 billion, a 15.3% gain. Of those sales, all but 5.3% were generated by drug stores.

The strong operating results can be attributed to several factors, including one of the tightest cost-control programs in the industry, the continued impact of lower inflation and interest rates, and the dramatic turnaround of the former Skillern stores in Texas.

Like-store sale gains

Sales increases achieved by the chain are not solely the result of new stores. The sales gain in "like stores" (those open a year or more) has been outpacing the chain's own inflation index by a wide margin. In the most recent quarter, for example, like-store sales shot up by 17%, the strongest increase ever. And for the first 36 weeks, like-store sales rose 13.5%.

In the former Skillern stores, the gains have been especially impressive. In the most recent two quarters, the Texas units' like-store sales exceeded the hefty chainwide average.

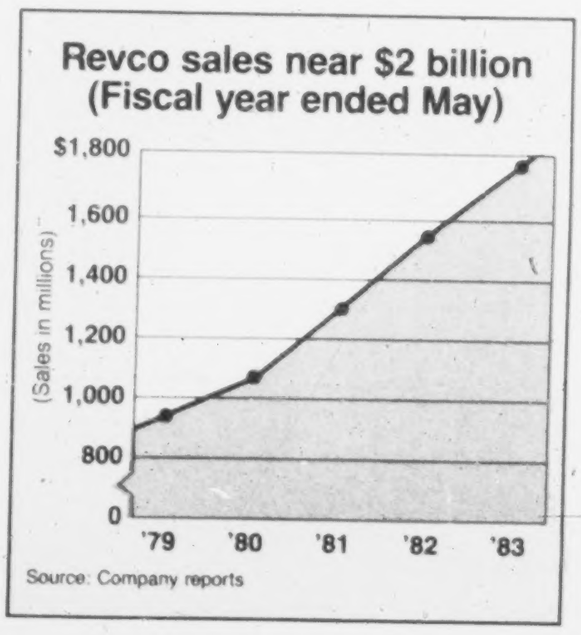
In the first three quarters, Revco has been living up to its hallmark: sustained, rapid growth. At the beginning of fiscal 1984, the chain had set a goal of 110 to 120 new outlets by year end. In fiscal 1983, the company added 74 new stores and closed six. That added 5% to total retail footage, far below the chain's 10% standard. But with a rekindling of activity by shopping center developers, Revco laid out a more ambitious growth plan for the current year.

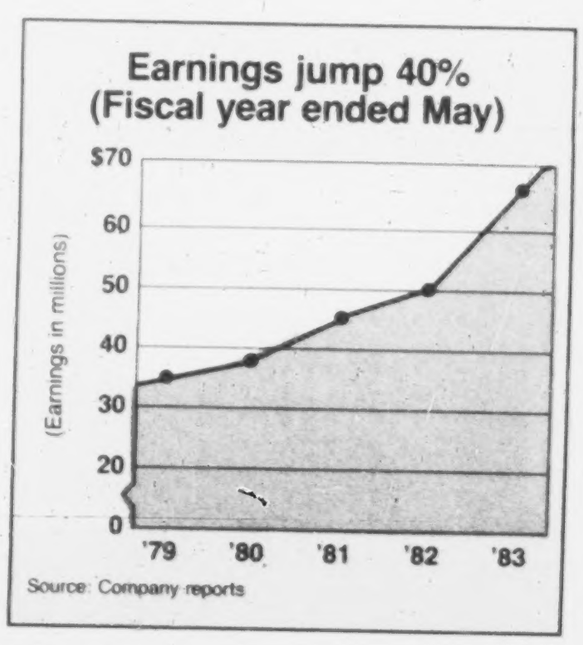
Strongest growth at Odd Lot

The strongest growth has come from Revco's Odd-Lot stores. Odd-Lot, a joint venture with Tangible Industries Inc., is an off-price retail chain that specializes in manufacturer overruns and discontinued brand-name merchandise. At the end of fiscal 1983, there were 11 of the 5,000-sq.-ft. stores operating in Florida and Michigan. By the end of the third quarter, the count had risen to 25.

The stores are appealing to Revco, because while they offer consumers deep discounts they also yield gross margins in the 40% to 45% range. A typical Odd-Lot generates $1.5 million a year in sales.

Revco has moved more slowly with its other diversification into off-price retailing, Get It For Less, a deep-discount drug store that opened last year in Memphis. Like other deep-discount units, Revco's 23,000-sq.-ft. store operates on margins considerably below the average for drug stores.





1984 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY PROFILES

Diversification ups Thrifty's profits

LOS ANGELES—When Thrifty's sales increased 5.5% in fiscal 1983 (to $1.188 billion), compared to 6.8% in fiscal 1982 ($1.126 billion), Thrifty watchers expected a profit rerun of 1982 when net income increased 3% (to $18.3 million).

However, profits galloped to a gain of 23% in 1983 (to $22.5 million), leaving the pundits talking to themselves.

However, there is no mystery to the profit breakaway. It can be attributed to stellar performances by Newman Importing, Big 5 Sporting Goods, and to cost-reducing electronic programs.

Acquired by Thrifty in November 1973, Newman Importing recorded a compounded growth of 17.8% in sales, and 21% in profits in fiscal 1983. In the past 10 years, sales have increased five times; profits, seven.

Big 5 was acquired in March 1971, when it operated 18 stores. Big 5 now has 67, and in fiscal 1983, it had a compounded growth of 23.6% in sales; 26.2% in profits. In the years since Thrifty acquired Big 5, sales have increased 14.2 times; profits, 18.3.

Crown profitable

Crown Books is another profit center. Thrifty and Dart Drug of Washington, D.C., each own 34% of Crown. As of fiscal 1983, there were 153 Crown Book stores (78 in California; 38 in Washington, D.C.; 26 in Chicago, and 11 in Houston. By August 1984, 180-190 Crown Book stores should be operating, and 215 to 225 by August 1985.

Trak Auto West is another joint venture with Dart (Thrifty owns 50%, Dart 50%). Profit-wise, Crown contributed but Trak Auto West took away. Trak's equity losses for the first quarter of 1984 (ended Nov. 30, 1983) exceeded Crown's income by $800,000.

Start-up costs, plus a new warehouse in southern California, drained Trak's profit dollars. As of March 1984, Trak operated 38 stores. By the end of the current fiscal year, the total count should reach 70 to 80.

Both Crown and Trak are deep-discount operations. They carry limited inventory and undercut competition severely (35% off best sellers at Crown; 35% to 51% at Trak). However, other book chains are matching Crown's discounts on best sellers, so a profit squeeze could be in the wings.

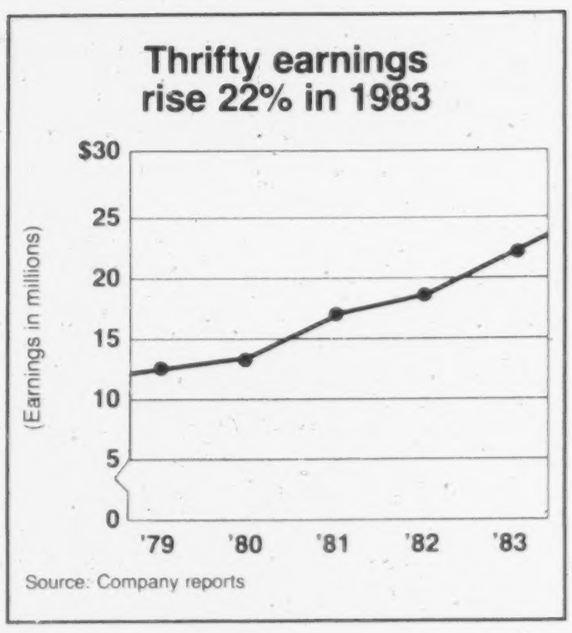
Pharmacy slips

Pharmacy has been a thorn in Thrifty's profit side for many years. Fiscal 1979 was the first time in 50 years that Thrifty's prescription department (accounting for 10% of store volume) made money. But Thrifty failed to sustain the pace, and slipped back into the red. Prices have been restructured because Thrifty has not been as competitive as Sav-On, Longs or Pay Less.

Thrifty's top officials attribute much of pharmacy's profit-blight to the high wage-benefits of the union contract. Claiming that Thrifty pays the highest in the nation for both pharmacists and clerks, chain execs say most of their competition is nonunion and therefore realizes huge cost savings. Thrifty also maintains that if the chain were nonunion, it could increase its profit margins 2% to 3%.

Thrifty hopes to remove some of the cost differential by increasing productivity through its computerized pharmacy terminals. Thrifty has ordered 350 IBM Series One standalones. Plans call for 50 installations in fiscal 1984; 100 in 1985, and 150 in 1986, with the rest to be in place by 1988.

Thrifty plans to open 18 new stores in 1984 vs. 11 last year. Thrifty calls its prototype "Perfecto." It is 18,000 sq. ft. overall, with 15,000 sq. ft. of selling. At the end of fiscal 1983, Thrifty operated 537 drug stores: 295 in southern California, 155 in northern California and 87 in Arizona, Idaho, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming.



In fiscal 1984, 49 stores will be remodeled in the Perfecto image vs. 23 in 1983. Thus, by the end of August 1984, 60% of the drug stores will have been remodeled.

Thrifty is acquiring 48% equity interest in the 12-story IBM building on Wilshire Boulevard in Los Angeles.

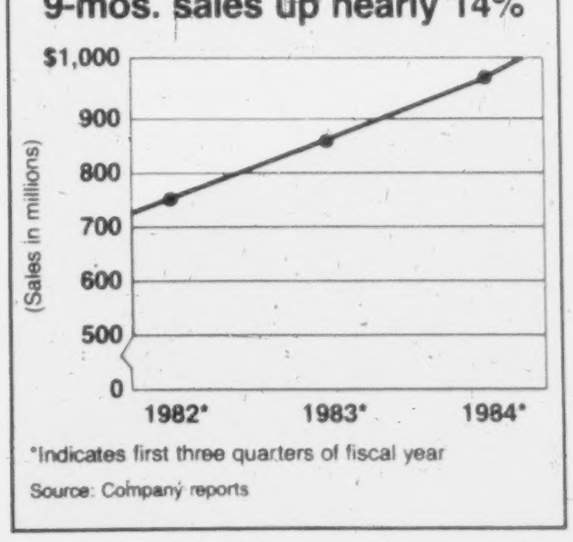
The new building will increase Thrifty's office space from its present 40,000 sq. ft., to 105,000 sq. ft.

SDM adds to '83 laurels in '84

TORONTO—Shoppers Drug Mart didn't lose any momentum in fiscal 1984 after reaching the climactic $1 billion sales level for the first time in 1983.

The Canadian chain, in fact, is well on its way to chalking up another year of record sales and earnings. Through the first nine months of fiscal 1984, SDM recorded systemwide sales of $978.7 million (Canadian), up nearly 14% from sales of $860.5 million (Canadian) generated the previous year.

Revenue for the first nine months of fiscal 1984, which excludes sales by SDM stores but includes franchise fees and other income, was down approximately 10% to $47 million from $52.7 million during the first three quarters of fiscal 1983. However, operating income for the first nine months was up 19% to $25.9 million from $21.7 million from the same period last year.



If anything, fiscal 1984 has proved to be a more momentous year than the previous one for the Willowdale, Ontario-based chain. In addition to its strong financial showing thus far, fiscal 1984 has contained a number of other highlights, including the launch of a new generic product line, a major promotion and advertising campaign tied to the 1984 Olympics and a turnaround in the chain's 30-store Florida division.

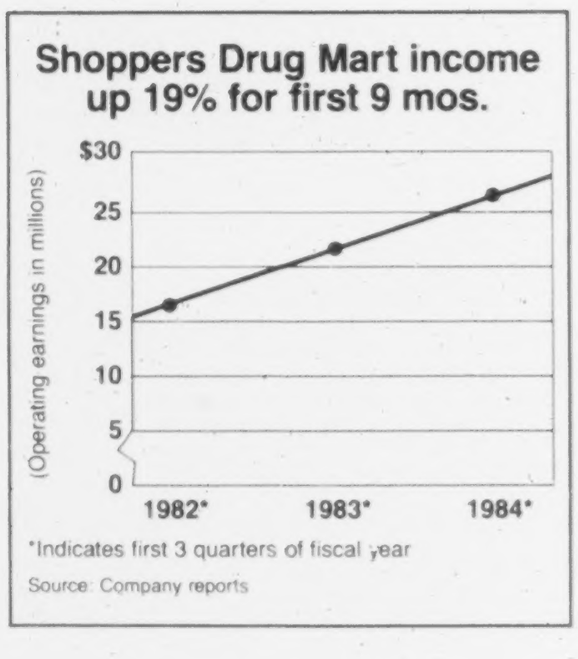
But perhaps the biggest development for SDM in fiscal 1984 was the announcement that the chain's parent company, Imasco Ltd., planned to buy Peoples Drug Stores. SDM's chairman, Murray Koffler, and the chain's president and ceo, David Bloom, were both active participants in the successful negotiations with the Alexandria, Va.-based Peoples.

Imasco's success with SDM was a major factor in the Montreal-based conglomerate's decision to purchase Peoples. Since becoming part of Imasco in 1978, SDM has more than tripled its dollar sales and more than doubled the number of stores it operates.

But despite its standing as Canada's No. 1 drug chain, with approximately 28% of the retail drug market, SDM, like many United States drug chains, is increasingly feeling the competition from supermarkets and discount stores.

The chain decided to mount an offensive against Canadian supermarkets this year by introducing a new line of generic products—the first ever by a North American drug chain. These no-frills products, known as Red Savers, are priced 15% to 25% lower than nationally branded products.

SDM is anticipating that the Red Saver line, which includes approximately 44 sku's and its successful Life brand private label program, which consists of more than 550 sku's, will grow to as much as 8% to 10% of the chain's overall sales volume over the next few years. Currently, SDM's private-label products and new generic line represents about 6% of its volume.



SDM also has moved to counter inroads made by Canadian deep-discounters. Until recently, SDM had operated only one deep-discount store, called Shopper Drug Warehouse. However, last month Howie's, a new prototype SDM deep-discount store that initially will be operated by the chain, debuted in Toronto. Plans are to offer the format to high volume SDM franchisees if the results from the test are favorable.

1984 ANNUAL REPORT OF THE
CHAIN DRUG INDUSTRY
PROFILES

Adams weeds units, reaps profits

PAWTUCKET, R.I.—In a year in which most drug chains racked up dramatic earnings gains, Adams Drug turned in a performance, which even by the chain drug industry's high standards, was outstanding.

A strategic plan whereby smaller, less profitable stores were phased out and a greater emphasis was placed on larger full-line drug stores sent sales and earnings to record levels. At the close of fiscal year 1983, ended Dec. 31, Adams' profits soared 56% to $7.1 million from $4.6 million a year earlier.

And despite operating an average 34 fewer stores in 1983, Adams still managed a 5.5% sales increase to $302.1 million from $286.2 million.

Earnings on a per share basis during fiscal year 1983 rose $1.74 from $1.12.

As a result of the strong earnings performance, the chain's net-to-sales ratio increased nearly a full percentage point to 2.4% from 1.5% the previous year.

Like many drug chains last year, Adams' strong performance was due in part to the sudden and welcome drop in the inflation rate, which resulted in lower LIFO charges. LIFO charges in 1983 were $1.1 million compared to $2 million in 1982.

But Adams also took several other measures that had a major impact on its bottom line. These included closing smaller, less profitable stores, carrying less excess inventories and holding constant operating costs as a percentage of store sales.

The chain shuttered 39 stores last year, most of which were in the 1,500-sq.-ft. to 1,800-sq.-ft. range. In 1983 Adams opened six new stores and remodeled 48 existing units.

Major growth vehicle

Adams' Brooks store division continues to be the major growth vehicle for the chain in the 1980's. During fiscal 1983, 17 stores were converted to the Brooks name, bringing to 143 the number transformed during the past three years. By year end, Adams was operating 301 Brooks stores.

By concentrating on the Brooks name, Adams has been able to build and reinforce consumer awareness as well as achieve greater efficiencies in advertising. While the chain's advertising expenditures were held relatively constant last year, Adams increased television advertising for the Brooks stores.

Other Adams operating divisions include 36 Adams stores in Rhode Island, 54 Eckerd units in western Pennsylvania and 24 Whelan and Nescott drug stores in the Metropolitan New York City Area.

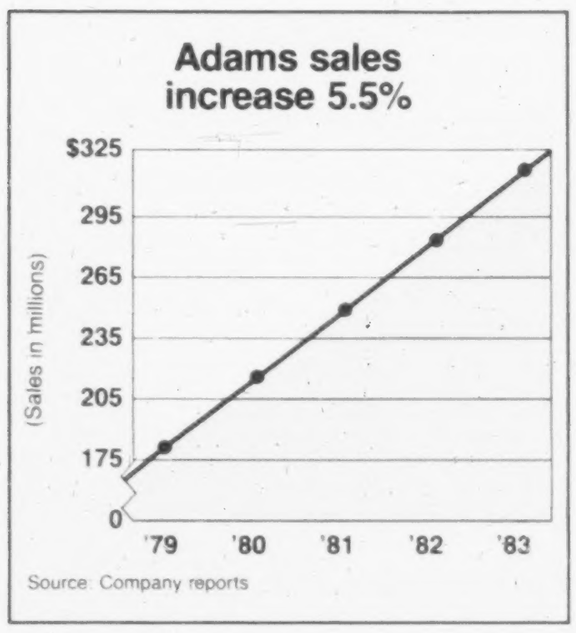
With its emphasis on larger stores that average approximately 6,500 sq. ft. to 7,500 sq. ft., the 51-year-old chain has been able to upgrade and expand such important categories as stationery, greeting cards, candy and cosmetics.

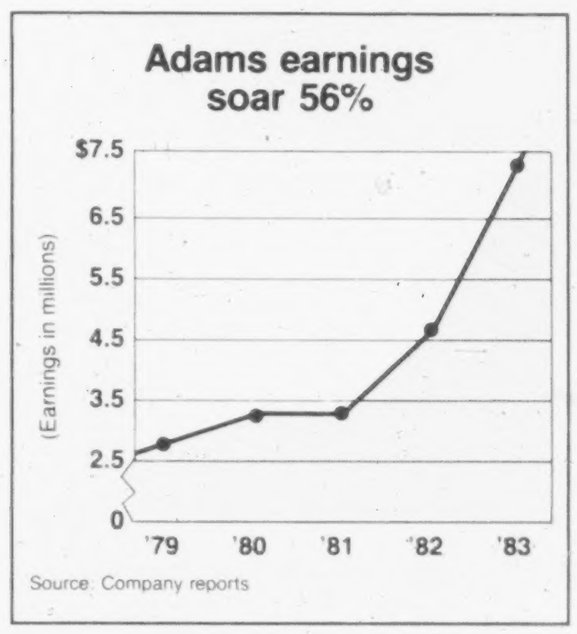
At the same time, Adams has tried wherever it can to install pharmacies in existing stores. Nearly every new and remodeled store brought on-line features a pharmacy. In 1979, 49% of Adams' stores contained prescription departments, and by 1983 that percentage had grown to more than 60%. Currently, two-thirds, or more than 300 Adams stores feature pharmacies. Of the units with pharmacies, approximately 33% of their volume was generated from prescription sales.

Seven million prescriptions were dispensed from the chain's pharmacies in 1983.

Having closed stores that weren't part of its future plans, Adams may add as many as 25 new stores in 1984. In addition, the chain will proceed with its ambitious store remodeling program.

The consolidation measures enacted during the past few years coupled with impressive back-to-back earnings gains in fiscal years 1982 and 1983 have left Adams in a strong cash position. Chain officials have not ruled out the possibility that Adams may seek a new acquisition this year or branch out into other areas of specialty retailing.





American gains slower, but strong

SALT LAKE CITY—American Stores, the giant food and drug retailer, last year told shareholders not to expect fiscal year 1983 increases as "spectacular" as those reported in fiscal 1982.

American was right. Earnings gains were not as strong as in fiscal 1982 when a combination of the company's efforts to streamline operations, a debt-for-equity swap and a lower LIFO charge led to a 40% increase in net income to $90.3 million.

However, the 30% increase in fiscal 1983 net earnings to $117.9 million was by no means a shoddy performance. In fact, super is the word that comes to mind.

American Stores, which operates Skaggs Drug Centers, Rea & Derick drug stores, Skaggs/Alpha Beta combo stores and Acme and Alpha Beta supermarkets, reported that earnings on a per share basis increased 34% to $3.61 from $2.69 the previous year.

Fiscal year 1983 sales advanced 6.3% to $7.98 billion from $7.5 billion in 1982.

For the fourth quarter, American reported earnings of $45.8 million, up 21% from the $31.6 million in the same quarter the previous year. Net earnings per common share rose from $1.19 in the fourth quarter 1982 to $1.46 in the final quarter of fiscal 1983. Fourth quarter sales rose 9.1% to $2.2 billion.

The Salt Lake City-based chain also continued to make steady progress in improving its net-to-sales ratio. Net profit margins rose to 1.5% compared to 1.2% in 1982 and 0.9% in fiscal 1981.

By year-end, American was operating 1,020 food stores; drug stores and food/drug combination stores, down somewhat from 1,027 in fiscal 1982. In 1983, American's operation included 190 Skaggs super drug centers in 20 states, 137 Rea & Derick stores in New York, Pennsylvania and Maryland and 70 Skaggs/Alpha Beta combos throughout the Southwest.

During fiscal 1983, American opened seven combination stores and six drug stores. It closed 10 drug stores in 1983.

Food stores closed

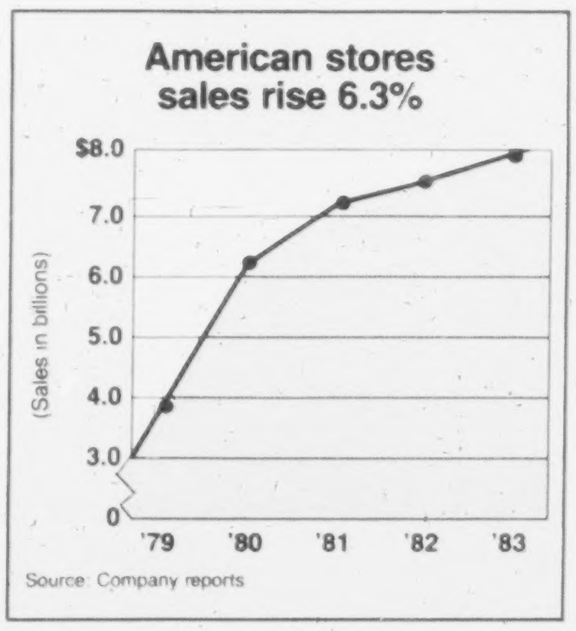
Having shuttered many of its unprofitable food operations, American is poised for expansion in 1984. The company plans to open as many as two combination stores a month during the remainder of fiscal 1984. By 1985, American may open as many as three new combos a month. If the company's projected store openings come to fruition, the chain, by the end of fiscal 1985, will have nearly doubled the number of combos it operates in a span of two years.

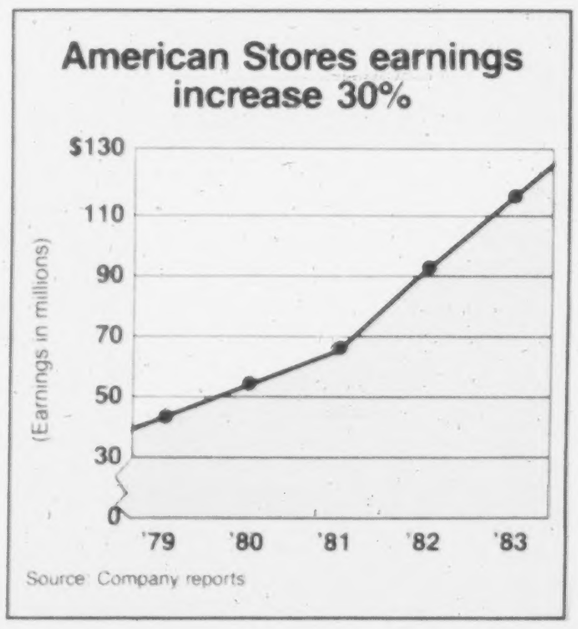
At American's annual meeting in June last year, Thomas. W. Field, president of American Stores, told shareholders that he expected to see an acceleration in the expansion of its combination stores, "as rapidly as possibly in areas which will yield the greatest return on investment." In addition to opening more combos, Field said that the company would expand its drug store operations.

While the company has not commented on which markets it has targeted for combos, some Skaggs observers believe the chain is looking at Dallas, Salt Lake and Philadelphia.

At Rea & Derick, based in Northumberland, Pa., Larry La Rock was named president of the 117-unit chain. It wasn't long before La Rock's imprint on Rea & Derick became apparent. A new 19,200-sq.-ft. prototype in Lancaster, Pa., closely resembled a Skaggs Drug Center. La Rock had been vp and general manager of Skaggs' Irvine, Calif., division.

American's advertising conducted on behalf of its four major divisions will look a little different this year. The company dissolved its long-standing relationship with Eisamin, Johns and Law and transferred its $24 million broadcast advertising account to Bozell & Jacobs.





PROFILES

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Cost cuts hoist Perry's bottom line

PONTIAC, Mich.—Perry Drug stores started its second quarter of a century with record results. Net earnings for the year ended Oct. 31, 1983, hit an all-time high of $4.5 million, a 58% increase over the previous year. Earnings per share rose to $1.02 from 73¢.

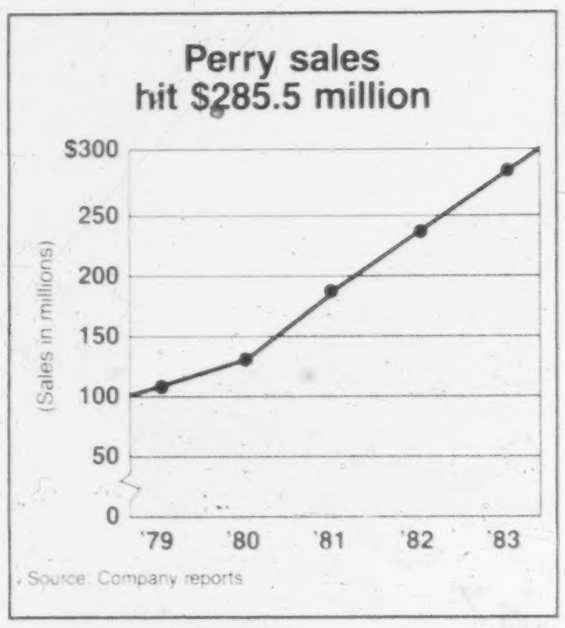
Sales rose 17% at Perry in 1983 to a new record of $285.5 million. With earnings growth outpacing sales growth by more than 3 to 1, Perry's net-to-sales ratio climbed to 1.6% from 1.2%.

The chain reported that its Profit Improvement Program, adopted last year to control expenses, helped boost the bottom line. Additionally, Perry was able to increase sales per store by 12% to $2.3 million. Sales per square foot in the drug stores also increased to $241, 13% higher than the industry average quoted by Perry of $214. Store selling space increased 23% from 1.2 million sq. ft. in 1982 to 1.5 million sq. ft.

The prescription department continues to be Perry's foundation, with 1983 Rx sales totaling $56.4 million, a 35% jump over 1982. The number of prescriptions increased 21% last year to a total of 5.4 billion. Prescription sales accounted for 20% of the chain's overall revenues.

Perry credits its Rx growth to the following factors: expanded and enhanced advertising, a greater number of stores, the chain's competitive pricing, in-store promotions including generic drugs, mailings to physicians, new technology including automated tabloid counters and Perry's new Pharmacy Computer System, which was installed in 10 stores last year and will be on-line in 100 stores by the end of 1984.

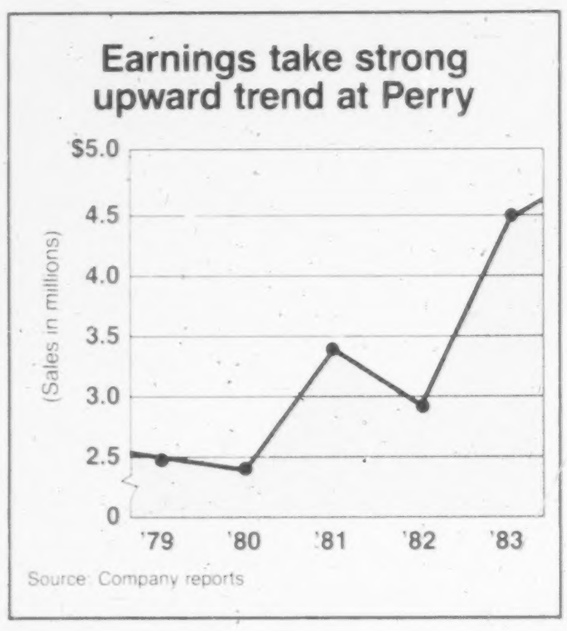
In addition to its traditional drug stores and drug and auto units, Perry ventured into two new retailing areas: discount auto parts and deep-discount drug stores. During the year, Perry launched Auto Works, a separate division of freestanding auto parts stores. Ten Auto Works units were unveiled last year.



Perry acquired a 51-store chain of auto stores called Fleenor's, which operates in Indiana, Kentucky and Ohio. It has been integrated as FAS Auto Works and is expected to "make significant contributions to our company," according to Jack A. Robinson, chairman of Perry. Sales in discount auto parts reached 15% of Perry's total sales, compared to 12.5% a year ago. For 1984, Perry plans to open 24 Auto Works units, with Toledo, Ohio, targeted as the major growth market.

Deep-discount units

During 1983, Perry also opened two A. L. Price stores in Michigan. Although the first unit developed in reaction to a competing deep-discounter, the second unit was planned as a discount format. This unit is reportedly exceeding projections and should hit $6 million in sales after one year; that's the figure Perry had thought it would take three years to reach.



A third diversification was recently announced and that is into the $16 billion to $20 billion home health care business. Perry purchased the $2 million Bioanalytical Procedures Inc., a 10-year-old clinical laboratory founded by David Sidhu. The beauty of the purchase, Perry sources report, is that profits are significantly higher in this business than in drug store retailing.

Perry is well on its way to reaching the goals of its five-year plan, which calls for $700 million in sales and more than 300 stores by the end of fiscal 1988. A more far-reaching goal is the $1 billion in sales the chain plans by 1990.

For 1984, Perry expects to reach sales of $360 million, a 26% increase over 1983. Given the expansion rate, the chain expects to increase its capital expenditures for stores from $4.1 million in 1983 to almost $8 million. Perry hopes to open 40 new stores—15 drug stores and 24 Auto Works, which is equivalent to one new store a week for the rest of the fiscal year.

Gray net income upturn still on hold

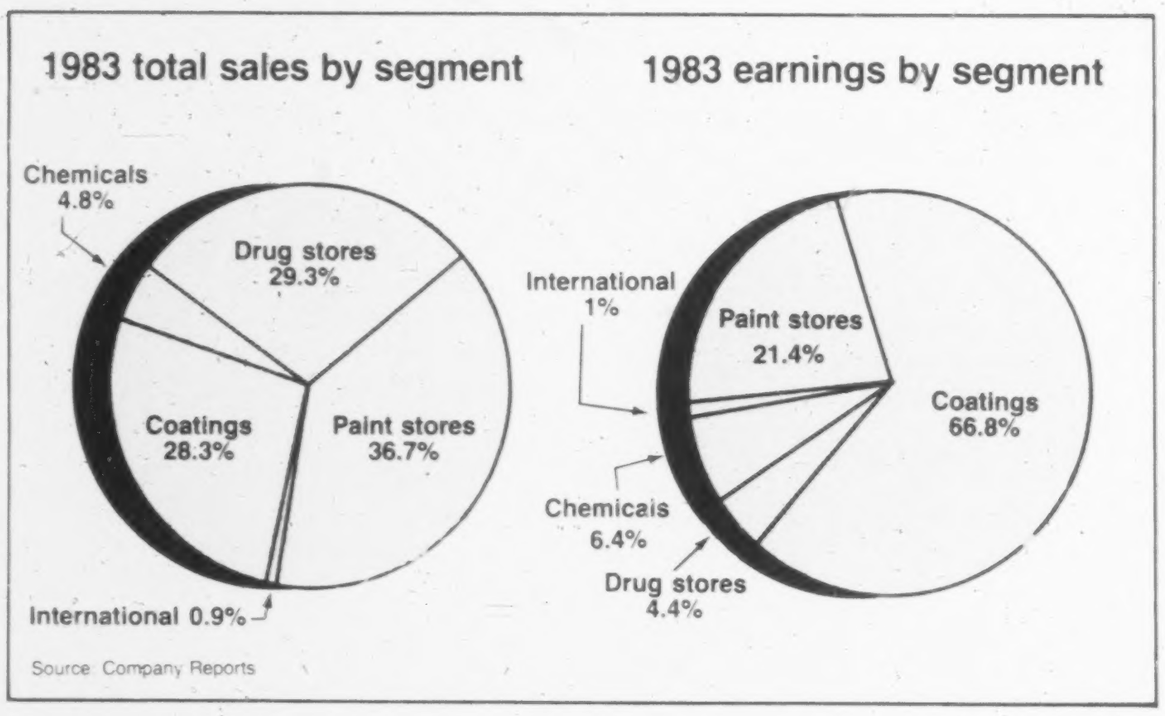
CLEVELAND—Following a brief upturn in 1982, Sherwin-Williams' hopes that a recovery was under way at its Gray Drug Fair division were dashed in fiscal 1983.

The abrupt departure of Al Towle as president and general manager of the 400-unit chain only served to illustrate Sherwin-Williams disappointment with its three-year-long relationship with Gray. In fairness to Towle, who has since been named to head Dart Drug's chain drug division, many industry observers wondered if Sherwin-Williams had expected too rapid a turnaround from Gray under his leadership.

But for the diversified retail and manufacturing concern, it clearly was a decision based on bottom-line results. Through the first nine months of fiscal 1983 Gray posted a 6.4% sales increase. However, operating income during this period fell far short of the goals Sherwin-Williams and Towle had worked out at the start of his stewardship.

Sherwin-Williams reported that Gray Drug Fair increased fiscal 1983 sales by 7% to $577.9 million from $540 million the previous year. But operating income plunged 42% to $5.8 million from $13.8 million in fiscal 1982.

Gray's operating margin slipped from 2.6% in fiscal 1982 to 1% in fiscal 1983.



While Gray's sales accounted for 29.3% of Sherwin-Williams' $1.97 billion total sales, the drug division's operating profit represented only 4.4% of the company's net income of $55.4 million. A year earlier, Gray accounted for 13% of the parent's total operating income.

Still, Gray did make progress in a number of areas last year. Towle's management team, which was kept in place following his departure last October, made a number of improvements to the chain's merchandise mix. More emphasis was placed on seasonal merchandise, cosmetics, health and beauty aids and stationery, while such marginally productive categories as soft goods and food service were largely eliminated.

Management recognized the problems that can surface with a chain with the geographic diversity of Gray when strict requirements are applied in the areas of buying, pricing and promotion. The chain subsequently gave new responsibilities in these areas to regional managers and merchandising/marketing managers.

New prototype

Last year, Gray also unveiled a new 12,000-sq.-ft. prototype in Potomac, Md., that has received high marks from chain officials. The prototype, which features a strong graphics package, was designed by the chain to make shopping easier using visually defined departments. While containing an expanded cosmetics department and upgraded merchandise mix, Gray has been able to generate higher turns and sales using 20% less selling space than in previous prototypes.

In addition to strengthening its merchandising efforts, Gray substantially increased its television advertising last year.

Various problems

Despite its various problems, Gray also moved to shore up its presence in two important operating regions during fiscal 1983. In its fiercely competitive mid-Atlantic region, Gray Drug acquired three stores from Action Pharmacies and nine Cavalier drug stores located in Virginia. During May the chain purchased nine former Medco drug stores in southeastern Fla., thus raising its southern store count to 54 units.

Towle's untimely exit last year surprised many people, but the swiftness with which Sherwin-Williams reached that decision has not carried over to the naming of a new successor. The drug division remains under the interim leadership of Carl Bellini, group vp for Sherwin-Williams retail stores division.

PROFILES

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Jewel's Sav-On lags; Osco shines

CHICAGO—The Osco drug division of Jewel Companies turned in a shining performance during fiscal 1983, ended Jan. 28, but the Sav-On units were termed "disappointing" by Jewel's chairman, W. R. Christopherson.

Osco, which operates 322 stores in 19 states, generated a sales increase of 14.3% and pretax earnings that rose 19.6%. Sav-On's sales rose only 6.7% while pretax earnings lagged 33% behind the previous year's. Combined, Osco and Sav-On represented 50.3% of Jewel's United States pretax earnings, down from 55.8% last year.

According to Christopherson, total drug store sales were up 11%, but earnings fell as a result of lower profits at Sav-On. The two divisions combined for total sales of $1.8 billion, up from $1.7 billion the year before. Pretax earnings for the drug stores were $62 million.

Jewel's chairman attributed Sav-On's sagging results to several factors, including gross margins that fell below traditional levels, costs associated with installation of new merchandising and distribution systems and start-up expenses for the new food-drug combo program in the San Joaquin Valley in California.

During fiscal 1983, the chain premiered the first of 10 scheduled combos featuring a mix that is 60% items normally stocked in a Sav-On store.

All of these costs, Christopherson pointed out, have been largely absorbed. Therefore, he expects 1984 will be an improved year for Sav-On.

Earnings decline

Overall Jewel posted fiscal 1983 sales of $5.8 billion, a gain of 2.7% over sales of $5.6 billion in 1982. Earnings, however, slipped from $88.1 million, or $6.82 per common share, to $83.1 million, or $6.36 per common share. That's a 5.7% decline that resulted primarily in reduced earnings from its equity investment in Aurrera S.A. de C.V. (Mexico). Aurrera sales during Jewel's fiscal year increased 72.1%, below the country's rate of inflation. With the effective rate of translation for the peso decreasing from $1.59 in 1982 to 65¢ in 1983, Jewel's earnings from its equity investment in Aurrera were 50.8% below the 1982 level.

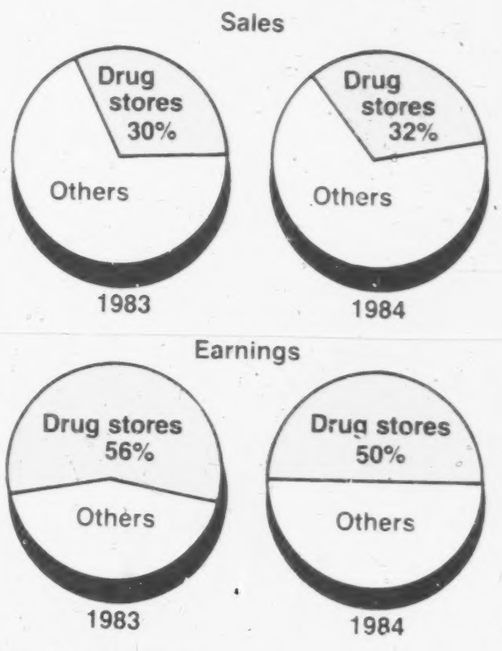
Jewel's supermarket division is hitting snags in the Chicago market, where earnings have been impacted by the debut of discount warehouse stores into the market. Jewel Foods has stepped up its cost control and productivity efforts, and most Jewel store-level employees were asked to accept wage reductions. All savings will be translated into lower retail prices so Jewel is competitive with the warehouse format stores, according to the company.

Emphasis on combos

This means the drug division will be forced to play an increasingly important role for the chain. Jewel will continue its emphasis on the combo format, which brings in the volume and turns associated with a supermarket, plus the higher margins reaped in a drug store. The combo format will be important for Sav-On. The 10 scheduled for the San Joaquin Valley will average 47,000 sq. ft.

The Jewel/Osco combos are slightly larger, averaging 51,000 sq. ft. with 64% of the space devoted to food and 36% to drug. The company also teams up its drug stores with its Star markets, Buttrey Food Stores and Eisner.

Drug stores' contribution to sales and earnings



Source: Company reports

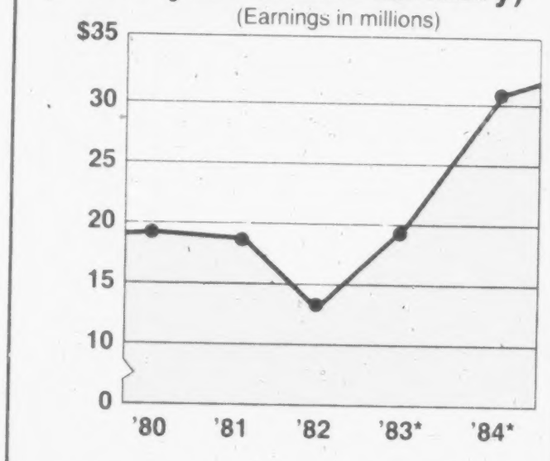
Pay 'n Save shakes off doldrums

SEATTLE—The recession in the Pacific Northwest—one of the most severe in the nation—wreaked havoc with Pay 'n Save's profits in fiscal 1981 and 1982. Nevertheless, there was a silver lining. The recession forced Pay 'n Save to trim down to fighting weight without harming its in-stock position.

Consequently, net income after taxes got a shot of adrenalin in the fiscal year ended Jan. 28, 1984, and jumped 54% (from $19.6 million to $30.1 million) on a sales increase of 12%. Sales were $1.2 billion vs. $1.1 billion. Both sales and profits were restated to include the Schuck's Auto Supply acquisition in a pooling-of-interests transaction.

Sales of the corporation's drug stores (Pay 'n Save and Bi-Mart) paralleled the corporation's performance. Drug store sales rose 11% to $718 million and pretax income increased 58% (from $15.1 million to $23.9 million). Drug store sales responded with the same fervor as other retailing entities in the chain for the same three reasons: solid sales, improved gross margins and good expense control. Drug stores accounted for 59% of the corporation's sales and 42% of the corporation's pretax earnings.

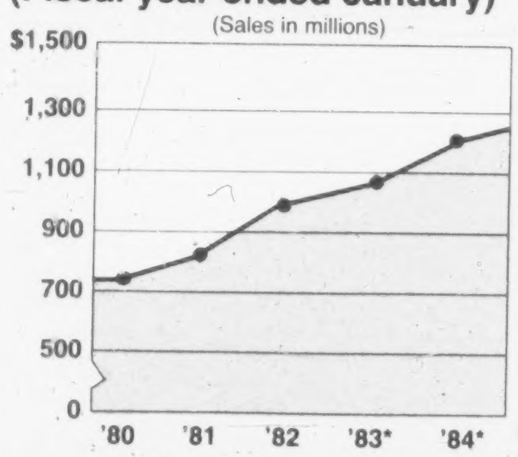
Earnings rebound strongly (Fiscal year ended January)



*Earnings restated to reflect acquisition of Schuck's Auto Supply on Jan. 27, 1984.

Source: Company reports

Pay 'n Save sales up 12% (Fiscal year ended January)



*Sales figures restated to reflect combined results of Pay 'n Save and Schuck's Auto Supply, which Pay 'n Save acquired Jan. 27, 1984.

Source: Company reports

Borrowings decline

Another reason for the invigorated performance was the decline of $28 million in average borrowings, as well as declining interest rates.

The fresh flow of profit dollars did something else for Pay 'n Save: it toughened the chain's acquisition muscle—and the Seattle-based chain lost no time using its newfound power.

Pay 'n Save acquired Schuck's, a 58-store pioneer Seattle auto supply retailer, and Northwestern Drug, a long-time wholesaler.

In buying Schuck's, Pay 'n Save joined Dart, Thrifty, Perry and Malone & Hyde, who have diversified into the auto parts market.

Pay 'n Save acquired Schuck's along with an 85,000-sq.-ft. warehouse for approximately $70 million of Pay 'n Save common stock.

For the fiscal year ended Jan. 31, 1983, Schuck's had sales of $48 million, and for the first 40 weeks of the current fiscal year, Schuck's generated sales of $45.7 million, up 22% from the comparable period a year ago.

Schuck's performs

But what makes Schuck's a prime prize for Pay 'n Save is that its operating profit-to-sales ratio of 10.1% is approximately double Pay 'n Save's.

The Schuck's acquisition has another beneficial fall-out. Ernst Home Centers and Pay 'n Save drug stores have automotive sections, which will benefit from Schuck's expertise. Schuck's will gain, too, because it will be able to draw on Pay 'n Save's real estate expertise as it expands. Moreover, the infusion of capital from its new parent will enable Schuck's to double the number of stores in the next three years.

The Northwestern acquisition, despite the uproar over a chain retailer owning a wholesaler, was a 10-strike for Pay 'n Save. In buying Northwestern for a nominal $3 to $4 million—plus a 25-year lease on Northwestern's 258,000-sq.-ft. distribution center—Pay 'n Save added $130 million in volume and got a turn-key distribution center overnight. Most important, Northwestern's state-of-the-art technology and talent would have taken Pay 'n Save many years and dollars to develop.

There are 51 Ernst Home Centers in Washington and Idaho, and there is not a strong hardware wholesaler in the Pacific Northwest so the newly acquired distribution center would fill a much-needed void as well as being a lucrative profit center.

Pay 'n Save's diversification reached another plateau with the opening of its first Price Savers Wholesale Club in Salt Lake in March 1984. The 100,000-sq.-ft. deep-discount, cash-and-carry membership wholesale warehouse caters to small businesses and select groups. Upcoming sites include two in the Seattle area in 1984, as well as Honolulu and Anchorage, Alaska, in 1985.

Although the first Price Savers is located in Skaggs' heartland, competition will be only marginal at best. Price Savers concentrates on hard and soft goods, major appliances, housewares, hardware, tools, sporting goods, tobacco, seasonal, baby needs, plants, stationery/office, books, domestics and food products. However, Price Savers does not have a pharmacy or sell OTC products, and carries only a small selection of vitamins.

Pay 'n Save is now rolling out chainwide with a checkout scanning system which combines both slot and hand-held wand devices in a single store.

Pay 'n Save is using wands for two reasons: the physical constraints of counter space in cosmetics, camera and pharmacy and customer convenience.

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Eckerd expects '84 profits surge

CLEARWATER, Fla.—Eckerd Drug is anticipating a record year in fiscal 1984.

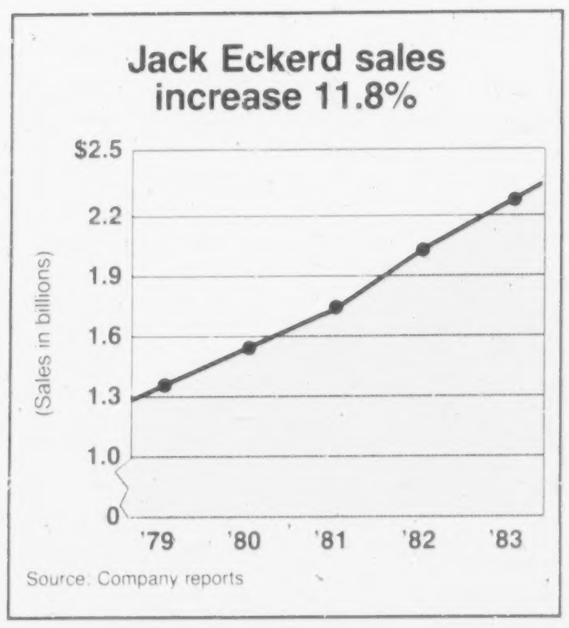
After two years of flat earnings, the chain is experiencing accelerated growth in both sales and profits. Some Wall Street analysts are even predicting that Eckerd's corporate year-end earnings may soar as high as 35% to $96 million.

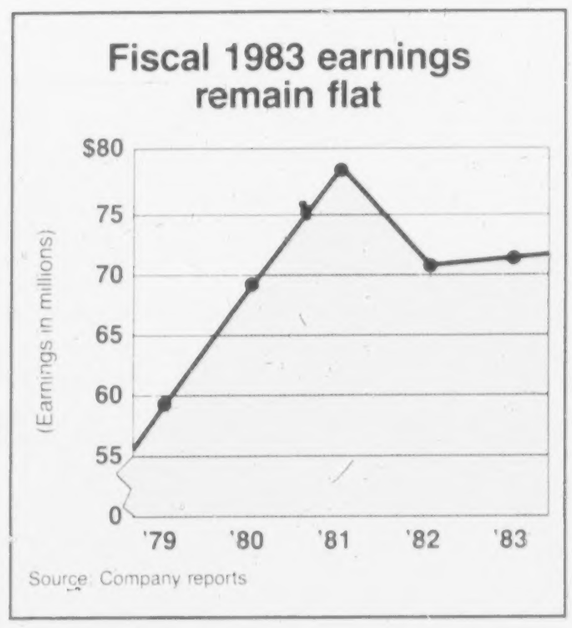
For the first six months ended last January, sales for the 1,390-unit drug division were up 14% to $1.12 billion, while operating profits were up 25% to $96.3 million.

Sales for the Jack Eckerd Corp., which includes apparel and video stores as well as drug stores, were up 14% to $1.32 billion, while net earnings were up 22% to $49.6 million.

Chairman and ceo Stewart Turley says a key reason for the upturn is an "overall improvement in our operating companies' performance."

The company's chain of 184 Video-Concepts stores turned in a $1.2 million operating profit for the second quarter, compared to just $20,000 last year. The JBryons junior department stores improved its operating income by 7% for a total of $7.8 million.





The real growth area for the company, however, were the drug stores. Sales and profit improvements reflected a number of marketing and operating modifications including the rollout of pharmacy terminals, the penetration of new markets and the addition of new stores in conjunction with the remodelings of older stores.

Last March, the division took another dramatic step to improve operations with the consolidation of its buying offices into one division instead of three.

In addition to streamlining the buying offices and removing levels of duplication, the new centralized system should also improve Eckerd's ability to keep its stores in stock in popular and hotly promoted items. It should also lower the acquisition costs of most products because it will enable Eckerd to buy larger quantities in bulk orders.

Because Eckerd intends to pass some of its cost savings along to consumers, the chain should also be able to sharpen its competitive pricing. One source estimates that as Eckerd's prices get sharper, the gross margin will remain the same but gross profit dollars will go up.

For the rest of 1984, the chain plans to continue the rollout of its pharmacy terminals begun in 1983. Management hopes to have 400 terminals on line by the end of fiscal 1984 this July and perhaps another 200 in place by the end of the calendar year.

Eckerd also hopes to have 100 electronic point-of-sale registers in place, feeding back merchandising reports and movement data, by the end of December.

Eckerd is also continuing to expand into such new markets as nursing homes.

The company is also experimenting with HMO's in several major markets, and is continuing to open optical centers and convalescent aids stores in select markets.

There are currently about 160 Optical Centers in operation and three convalescent aids stores.

Computers aid Pay Less NW profits

WILSONVILLE, Ore.—If Pay Less NW, operating in the heart of depression country during 1981 and 1982, could confound the experts by increasing new earnings 16.3% and 16.4%, respectively, then what could they do in an upbeat economy?

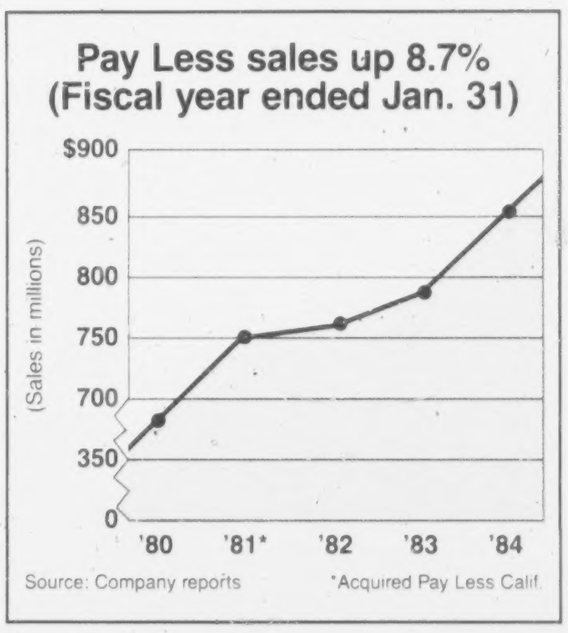
Much, much better, as evidenced in fiscal 1983 (ended Jan. 31, 1984), when net earnings increased 27.6% to $24.7 million. Yet the Pacific Northwest chain wrung 1983's record profits from a sales increase of 8.7%. Sales increases for 1981 and 1982 were even lower: 1% in 1981 and 3.5% in 1982.

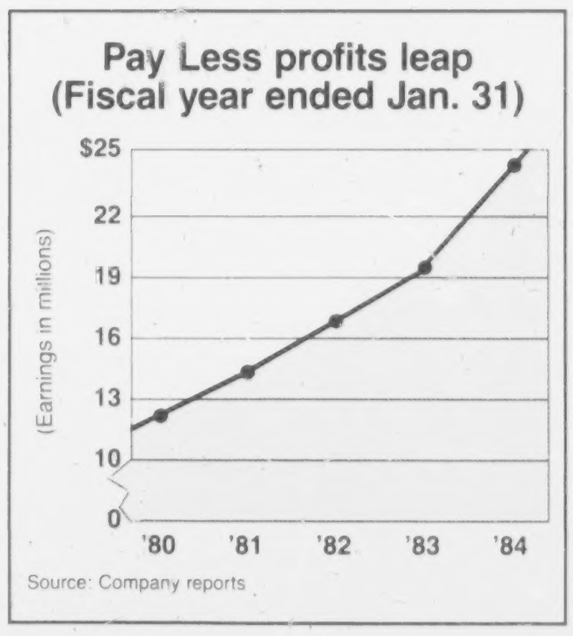
There are many reasons for this anomaly, but the linchpin is advanced technology throughout the chain's operations. Simply put, the electronic network has reduced operational expenses and improved inventory turnover.

Pay Less recognized the computer's potential as a profit partner in the 70's, and has expanded the application with sophisticated systems.

POS is the latest in the Pay Less electronic armory. The electronic POS device is for automatic teller machine bank debit cards, and it attaches to Pay Less' electronic cash registers. POS will be installed in 30 stores by the end of the second quarter of 1984, with all 152 stores completed by the end of 1985.

The system differs from the one used by Eckerd. Eckerd's captures item-by-item product movement through a six-digit identification code. Pay Less feels that I.D.-numbered items at the checkout do not lend themselves to a high-volume discount drug operation (Pay Less' per-store average is among the highest in the nation).





In the near future, Pay Less will be able to add front-end scanning because each register is a computer terminal.

An automated bookkeeping system—consisting of a terminal and printer—augments the present online pharmacy system which has been in operation in Pay Less stores for several years.

The new bookkeeping system maximizes existing telephone network costs because it operates both pharmacy and bookkeeper terminals with a single controller unit.

Distribution center planned

This year Pay Less will begin construction of a distribution center in Stockton, south of Sacramento, to service Pay Less' central and northern California stores. The size will be 730,000 sq. ft., or less, depending on land use of the site. This facility, scheduled to open in 1985, will have the capacity to supply 150 stores—the same as the Wilsonville facility. At present, Pay Less operates 72 stores in central and northern California.

The new Stockton distribution center will take the pressure off the 708,000-sq.-ft. (including mezzanine) central distribution center in Wilsonville. It will also enable Pay Less to terminate the leasing of 400,000 sq. ft. of outside warehouse space now being utilized in the Portland, Ore., area.

Wilsonville reached its capacity earlier than Pay Less had expected because the chain has added new categories to the distribution network (cigarettes, toys, sunglasses and candles).

Space was further constricted in 1983 when Pay Less decided to centrally warehouse 1,600 sku's of prescription drugs.

Looking toward expansion

As for expansion, central and northern California will be the principal targets. When the new Stockton facility is in place, Pay Less will have distribution facilities capable of supplying more than twice the number of stores now being serviced. Pay Less now operates drug stores in Washington, Idaho, California and one store in Nevada. The Nevada store (in Elko, near the Idaho border) is part of the Idaho division which now consists of stores in Boise, Twin Falls and Pocatello.

Pay Less also has a new smaller prototype, the first of which opened in the California division last year. The 29,000-sq.-ft. prototype—first introduced in Oregon—has been down-sized from 34,000 sq. ft., in an effort to lower occupancy costs at a time of rapidly rising land and construction costs.

To compensate for the decrease in footage, Pay Less has raised the gondola height on the wall and on one side of the store (camera, sporting goods, hardware, paint and electrical supplies) to 72 in.

On the other side of the store (pharmacy and H&BA) gondolas are now 60 in. to 66 in. high. The reason for the difference in height in pharmacy and H&BA is to give shoppers a clear view of mainline departments.

1984 ANNUAL REPORT OF THE
CHAIN DRUG INDUSTRY
PROFILES

Rite Aid drug, specialty units grow

SHIREMANSTOWN, Pa.—Specialty retailing was high on the list of priorities last year for Rite Aid as the drug retailer expanded its nearly two-year-old toy chain, started a chain of variety stores and most recently, purchased an auto parts chain.

But while the Shiremanstown, Pa.-based chain diversified at a rapid rate last year, the drug store division continued its fast-paced growth. Rite Aid opened 73 stores in 1983. In addition, the chain will roll out a new sophisticated computerized scanning system later this year that will virtually eliminate individually priced items in each of its stores.

Collectively, the drug chain and other diversified operations combined to boost fiscal 1984 operating income nearly 25% to $62.1 million from $49.9 million the previous year. Earnings per share from operations for the 53-week fiscal year rose 16.6% to $1.47 from $1.19 in fiscal 1983.

In addition, Rite Aid reported a $12 million extraordinary gain from the partial sale of Super Rite Foods Inc., its grocery wholesaling operation through a public offering at the close of last year. Taking into account the gain from the Super Rite offering, net earnings for fiscal 1984 were $74.3 million, up 35% from $54.9 million in fiscal 1983, which included operating income from Super Rite.

Earnings per share, inclusive of the gain from Super Rite and a 2-for-1 stock split in January, increased 34% to $1.76 from $1.31.

Corporate sales during fiscal 1984 were up 16.6% to $1.2 billion from $1.04 billion in fiscal 1983.

Given the chain's ability to generate cash, Rite Aid has been able to finance expansion and diversification out of its own pockets at a time when interest rates still remain uncomfortably high for many businesses.

Rights to Heaven

During the spring of 1983, Rite Aid purchased the national rights, with the exception of southern California and Las Vegas, to the name and concept behind a unique contemporary variety store called Heaven.

Since bringing Heaven to the East Coast, Rite Aid has successfully tested the 3,000-sq.-ft. stores in a number of shopping mall locations. There are currently seven Heaven units operating with plans for as many as 15 over the next year. The Heaven concept has been particularly appealing to Rite Aid because, on average, the stores have taken only three to four months to break even.

On a much larger scale, Circus World, Rite Aid's first venture into specialty retailing, has grown from 128 stores at the time of the acquisition to 175 stores. The retail toy store division, bolstered by a strong economy, had a particularly good Christmas selling season last year.

Circus World's performance during the recent Christmas season helped Rite Aid post a 32% increase in earnings and an 18% increase in sales in the fourth quarter.

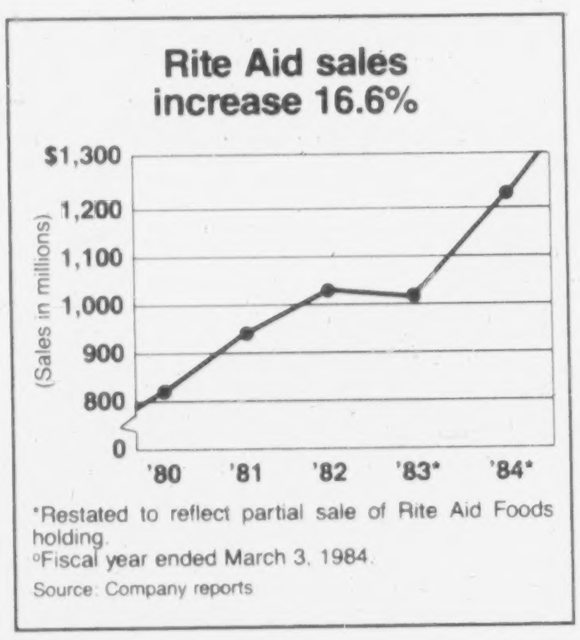
For the fourth quarter of fiscal 1984, Rite Aid generated earnings of $24.9 million or 59¢ per share on sales of $367.7 million, compared to operating income of $18.9 million or 45¢ per share on sales of $308.9 million during the same period the previous year.

Just as Rite Aid's fourth quarter was ending, the company announced that it had acquired a new specialty retail chain. The drug retailer's purchase of ADAP, an Avon, Mass.-based discount auto parts concern, offers Rite Aid new opportunities in the lucrative auto aftermarket business.

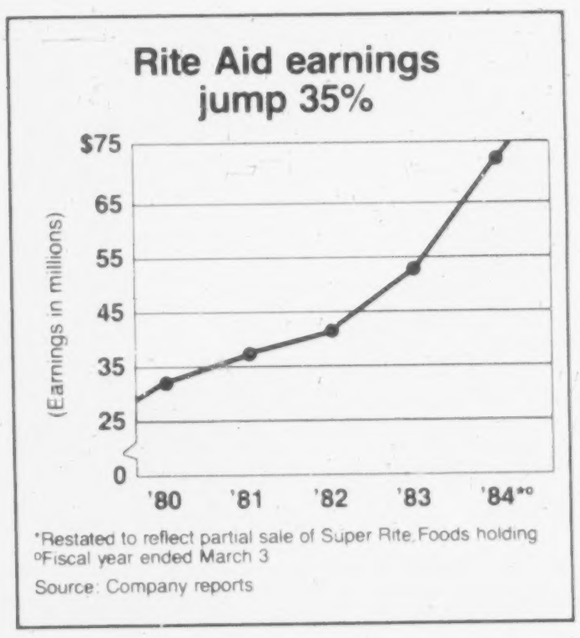
Observers believe that Rite Aid will expand the 32-unit ADAP chain well beyond its current operating area that includes the states of Massachusetts, Rhode Island and New Hampshire.

In addition to their obvious profit potential, the other retail businesses have enabled Rite Aid to negotiate more favorable leasing agreements with shopping mall and strip center owners. In a Charleston, W. Va., shopping mall, Rite Aid has clustered a Circus World, a drug store and a Heaven unit.

Rite Aid is planning to open a minimum of 90 new drug stores in 1984. While the majority of the chain's new stores are still being opened in strip shopping centers, Rite Aid is increasing the number of freestanding units it operates. By the end of fiscal 1985, the company expects to have as many as 170 freestanding stores. The chain also is planning to remodel 107 stores during the current fiscal year.



*Restated to reflect partial sale of Rite Aid Foods holding.
°Fiscal year ended March 3, 1984.
Source: Company reports



*Restated to reflect partial sale of Super Rite Foods holding
°Fiscal year ended March 3
Source: Company reports

Thrift sales growth tops Penney's

PITTSBURGH—The 1984 fiscal year tally for J. C. Penney Co. Inc., reveals that Thrift Drug Co., had the highest percentage of sales increase of all the corporation's domestic operations.

The figures, based on a fiscal year ended Jan. 28, 1984, showed that sales (excluding catalog) at Thrift, which also operates as Treasury Drug Centers, rose 9.7% to $532 million from $485 million in 1983. Same-store sales increased 7.3%.

In comparison, the sales increase at all J. C. Penney stores and catalog was 6.5% to $11 billion from $10.4 billion. The increase in same stores was 6%.

When catalog is added to Thrift sales, the increase for fiscal 1984 was 9.4% to $589 million from $538 million.

Average annual sales per square foot and sales per store each increased during 1983 by about 8%. The average annual sales per square foot was $157 compared to $145 in 1982. The average sales per store last year were $1.6 million compared to $1.5 million.

Contributing to the increase in sales was the opening of 10 stores, bringing the total number of Thrift drug stores to 365 at the end of the fiscal year. Of these stores 358 have pharmacy departments.

Less action

The number of stores opened, acquired and closed was considerably less than in 1982. During that year, 37 stores were opened or acquired and 27 were closed or sold off. Much of the difference is explained by Thrift's unusual action in 1982 of selling 20 units in Tennessee to Eckerd Drug and in turn buying 20 stores in Pennsylvania from Eckerd.

While only 10 stores were opened last year, Thrift is predicting a greater percentage of growth in 1984 with some 20 new stores.

Thrift plans to continue adding durable medical equipment departments in 1984, a move that began last year. In 1982, Thrift had only 12 such departments. However, there were a total of 255 last year and 268 are predicted by the end of 1984. Convalescent aids departments are also expected to increase to 370 this year, compared to 357 in 1983.

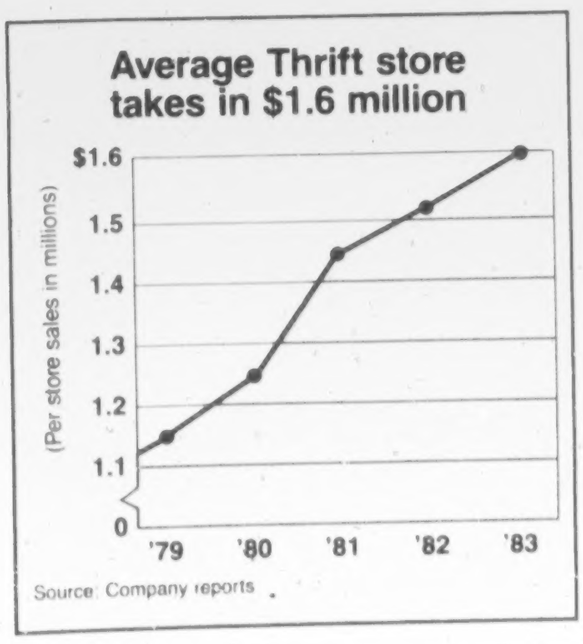
Thrift continued to add computers in its pharmacies throughout 1983, and currently has 345 installed. This compares to 325 computers in 1982. Thrift is planning to install computers in all of its new stores.

Rxtra computer

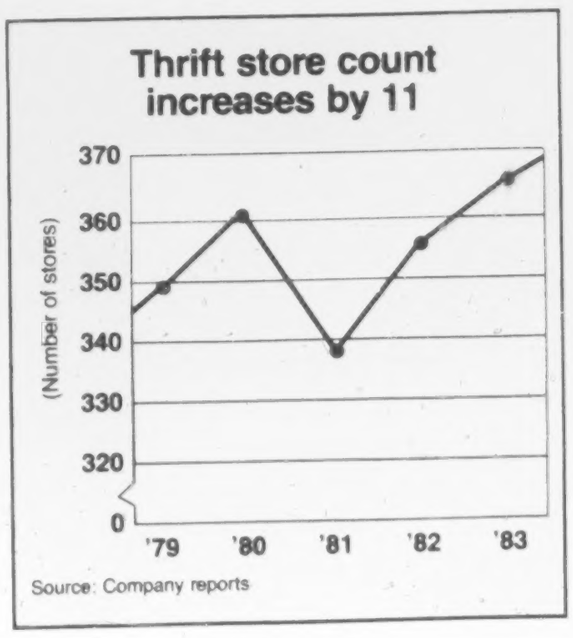
The computer system, called "Rxtra," aids pharmacists by allowing them to fill scripts faster and more efficiently and by providing drug compatibility checks. It is also considered a consumer service because it can provide customers with itemized records of prescriptions.

Promotion of Rxtra, which began in 1982, got into full swing last year with an advertising campaign to promote the chain's service theme. The campaign helped Thrift increase the number of prescriptions dispensed by about 5% to 17.3 million from 16.4 million. Of these, about 53% were new prescriptions. Prescription sales account for 34% of Thrift's total sales volume in 1983.

Also during 1983, Thrift received approval from the Drug Enforcement Administration to repackage its own prescription drugs. This means Thrift will be able to buy in large bulk volumes and repackage centrally to serve all its stores.



Source: Company reports



Source: Company reports

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Longs upscales cosmetics, profits

WALNUT CREEK, Calif.—A system to track weekly gross profits, soon to be programmed into store computers, helped Longs Drug Stores turn sliding profits into gains during 1983.

It was also a year in which scheduling innovations by employees doubled Christmas cosmetics sales in the chain's Mountain View store and a period when cosmetics departments got a facelift.

Longs reported earnings of $36.4 million in fiscal 1984, which ended on Jan. 31, 17% higher than the $30.9 million garnered in fiscal 1983. Earnings per common share rose to $3.43 from $2.92.

These figures are particularly encouraging after a rather flat fiscal 1983 when earnings rose only slightly, to $30.9 million from $30.3.

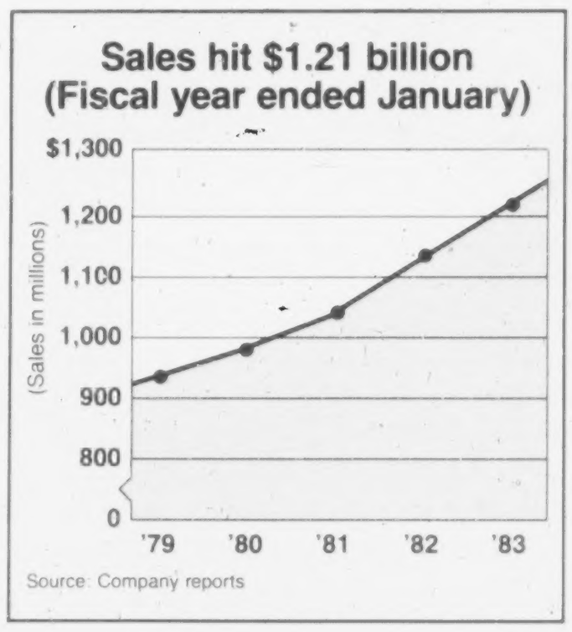
Sales in fiscal 1984 went up by 8% to $1.2 billion from $1.1 billion. The percentage increase was not, however, as great as the 12% growth achieved in the previous year.

The problem of sliding profits came to a head in 1982 when Longs began experiencing the effect of expansion and start-up costs during the recessionary years. In addition, price conscious shoppers did more cherrypicking than expected, causing the ratio of ad sales to total store sales to rise, thereby lowering gross margins.

When net income dropped by 6% in the third quarter of fiscal 1983, the chain took action by creating a system that calls on managers to project sales volumes and margins quarter by quarter. Managers monitor their progress on a weekly basis as a means of reaching or exceeding their objectives.

Plans are to computerize this tracking system and provide terminals in store managers' offices so that they can efficiently keep an eye on sales and margins. The terminals will be installed at locations where pharmacy computers already exist.

While Longs hopes to have computers in all of its stores, 55 pharmacy computers are currently on line. Installations, which began in 1982, include hardware by Hewlett-Packard and software by Longs. The pharmacy computers have several unique features including the ability to provide drug interaction information and page citations to reference books. They can also calculate gross profit on acquisition costs without requiring retail calculations to be made on the same basis.



Christmas cosmetics sales in 1983 were brushed up by five cosmeticians at Long's Mountain View store in the San Francisco peninsula south of the city. The women were bothered by the number of times other tasks took them away from the selling floor. As a result of haphazard coverage, there were often periods when no cosmetician was on hand to help customers.

The cosmeticians arranged their schedules so that at least one of them could advise shoppers at all times. Besides helping customers, the only things they would do on the floor were minor adjustments of facings and other light housekeeping jobs. The immediate result was a doubling in sales.

A chainwide change in cosmetics was a conversion to a "department-store" look in most stores. The net effect was a long, clean department with an uncluttered walk-through area that is fully stocked.

Compared to previous years, expansion of Longs stores in fiscal 1984 seemed to have slowed down slightly. The chain opened seven stores and closed two—for a total of 178. In comparison 12 stores were opened and one closed in fiscal 1983 and 14 were opened and one closed in fiscal 1982. However, expansion is expected to pick up this year with some 13 more stores planned by January 1985.

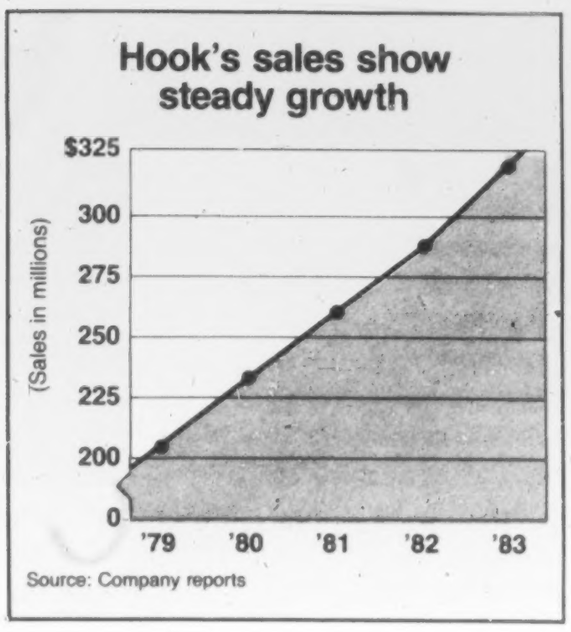
New stores last year included Longs' 16th outlet in Hawaii. The 25,000-sq.-ft. store is located in central Oahu.

Hook increases stores, earnings

INDIANAPOLIS—Hook Drug opened 20 new stores in 1983—the most ambitious level of store growth for the 288-store chain since 1969.

That included expansion in Kentucky, a new market for Indiana's largest chain. The company now operates drug stores in four states: Illinois, Kentucky, Indiana and Ohio. Hook plans to open 20 more drug stores during fiscal 1984.

Last year was also a big one for the company's home health care division. In 1983, in fact, home health care was made a new division within the corporate structure. Two new Hook's Convalescent Aids and Home Health Care Centers were opened, bringing the total number to 10. According to the chain's annual report, plans have been set for long-term expansion of this rapidly growing area of corporate operations. As many as 40 stores are projected by year-end 1985, all within a 400-mile radius of Indianapolis. Five more convalescent aids centers are on tap for 1984.

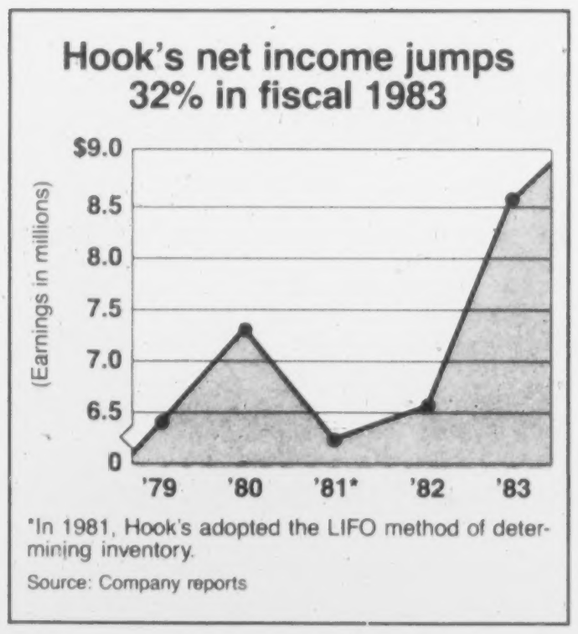


To keep up with expansion, Hook completed its $5.9 million warehouse modernization and expansion project a full year ahead of schedule and at a savings of approximately "$500,000 from previously estimated project costs," according to J. Douglas Reeves, chairman and president.

These factors, plus increased prices resulting from inflation, helped push Hook's sales for fiscal 1983, ended Dec. 31, 12.4% above 1982's $320 million. Net income rose 32% to nearly $8.7 million. It was the second year in a row that Hook's earnings increased, following a tough year in 1981 when earnings sank 20%. Hook has placed an emphasis on controlling expenses and its expense ratio improved from 28 in 1982 to 27.8 in 1983.

Winter's toll

According to Reeves, Hook's only area of disappointment was a decline in sales gains experienced during the last 15 days of December. "Coincidental with this softening of our sales were periods of severe winter weather that confronted our customers during a period of the year that includes our best sales days," Reeves explained.



He continued, "While the net effect was a fourth quarter of 1983 that ended with earnings that were 3¢ per share below those of a very strong fourth quarter of 1982, we have no reason to suspect any significant weakening of retail sales in our marketplace."

Hook continues to rank within the top 10 drug chains in several key areas. For example, according to *Drug Store News* calculations, the chain is 10th in sales and 11th in net income. Its return-on-investment of 20.3% makes it the seventh best in the industry. And Hook registered the highest gross margins at 34.4%—that's even better than the 33.9% registered last year.

Rx is important

Pharmacy, which contributes 34% of total sales, is one of the most important categories at Hook. More than 9.8 million prescriptions were filled last year by the chain's "Pharmacists in Green." That record number generated prescription drug sales that topped the $100 million mark for the first time.

Hook is expanding its pharmacy computer system dubbed MIC. Currently, 81 Hook pharmacies employ the system with plans to have 150 units with Rx terminals within 36 months.

Other developments at Hook include:

- Increased level of cooperation from vendors in developing special product promotions.
- Tightened interdepartmental coordination which resulted in more rapid completion of store remodeling.
- The enhancement of store and warehouse security efforts to further cut the loss of assets through shrinkage, robbery and burglary.
- The implementation of in-house recommendations for improving various operational status reports.
- Introducing personal computers as an aid to corporate management.

1984 ANNUAL REPORT OF THE
CHAIN DRUG INDUSTRY

PROFILES

Fay's posts record results in 1983

LIVERPOOL, N.Y.—In the wake of the most successful year in a 25-year history, Fay's chairman Henry A. Panasci Jr. predicted that the chain would continue to "outpace the economy and the retailing industry" in 1984.

On all fronts, the Liverpool, N.Y.-based chain is moving ahead aggressively not only to solidify its position but also to break new ground.

Fay's plans to open as many as 17 new stores in the current fiscal year as well as to maintain the sizzling pace that produced such outstanding results last year.

For the year ended Jan. 31, Fay's earnings shot up 48% to $8.1 million as sales increased 16% to $312 million. Fourth-quarter gains were just as impressive. Earnings soared 51% to $3.8 million, while sales were up 17% to $92 million.

There was strong evidence that Panasci's predictions were right on target, as sales in February increased by more than 30%.

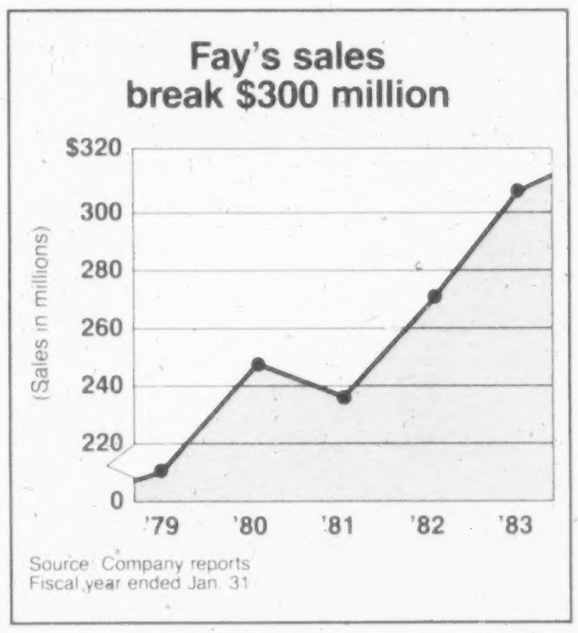
Panasci attributed the stellar performance primarily to increased market penetration. But he also mentioned "effective expense controls, imaginative merchandising programs and strong prescription sales."

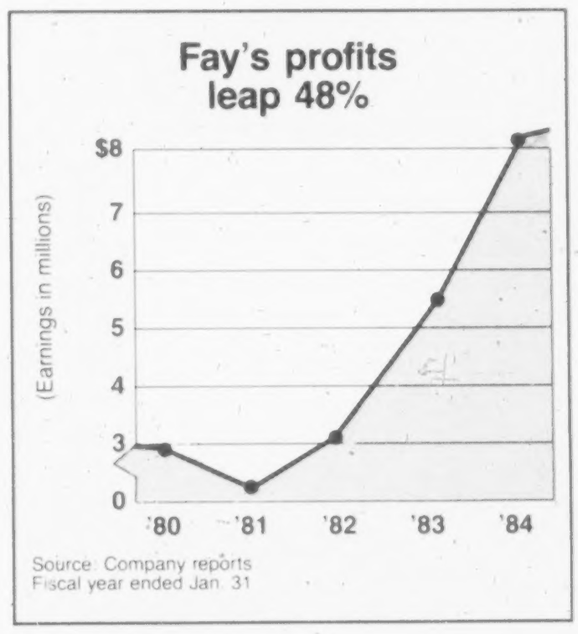
Fay's is one of a number of chains that have fully computerized their pharmacy departments, and Panasci said that the AccuFays system was instrumental in the 28% jump in prescription sales during the year. He also noted that "customer traffic developed by our prescription departments have generated additional sales volume in other departments throughout our stores."

As for market penetration, Fay's opened 10 new stores during the year, six of which were launched in the fourth quarter. At year end, Fay's was operating 102 stores in New York, Massachusetts and Pennsylvania. On March 11, the chain opened a new store in Niagara Falls, its 16th outlet in an area targeted for growth—the Buffalo-Niagara Frontier area.

Market strategy

Fay's strategy has been to concentrate on markets that lie within a 250-mile radius of its headquarters and distribution center in Liverpool.





To handle projected growth in those markets, Fay's recently completed an expansion and modernization of its distribution center. With greater storage capacity and new automated material handling systems, the expanded facility will be able to service nearly 170 stores with 75% of their merchandising needs.

Fay's is also poised for a plunge into retailing areas outside of its traditional drug store business, including possible forays into auto supply retailing, deep-discounting and specialty office supply outlets.

Said Panasci late last year: "We're planning to test the waters in other specialty retailing areas that offer the opportunity to easily transfer our skills to other profit centers."

To handle the potential new ventures, Fay's brought Larry Padgett on board. Padgett, former president of Carls Drug, was named president of the new specialty retailing division. Panasci said that hard lines retailing was the likely initial target for the new division.

During the year, Fay's also had a stock offering that raised $19 million that will be used for its expansion and remodeling plans.

Dart renews drug store emphasis

LANDOVER, Md.—Dart Drug put the bulk of its efforts last year into the rapid expansion of its Crown Books and Trak Auto ventures.

But there were strong indications that the diversified Landover, Md.-based chain was renewing its commitment to the chain of super drug stores that had been allowed to languish in recent years.

For one thing, after three years of relatively flat store growth, Dart opened four more stores in the past year, bringing the count to 73 in the Washington, D.C., and mid-Atlantic areas.

But perhaps more important was the hiring of Al Towle as president of the drug store division. With the major growth emphasis on auto supply outlets and book stores, Dart's upper management team had been stretched thin, and the drug stores suffered in the operational area.

Many of the stores were poorly merchandised, basic housekeeping looked as if it had been put on hold and there were severe out-of-stock problems.

The result was that the chain of discount super drug stores and drug/home center combos had lost share to Peoples, which was on an aggressive expansion track.

With Towle at the wheel, Dart should be able to resolve some of those problems. Towle has the distinction of having served in upper management positions for two of the three other leading drug store chains in the Washington, D.C., market. Before coming to Dart, he was president of Gray Drug Fair, and earlier in his career he was senior vp of marketing at Peoples. So Washington and its environs is like home.

Strong optimism

Towle's strength as an executive is his ability to attract top managers in the operations and merchandising areas. He also firmly believes that emphasis on the basic core departments is the key to success.

Towle came into the job in March with an optimistic outlook, declaring that Dart's low-price image would be emphasized as Dart sought to build its market share. "It's a real strong image," he said, "and we'll keep blasting away at it."

Despite the problems, Dart managed to produce some strong operating results in the past year. Although year-end (Jan. 31) figures were not available at presstime, nine-month performance numbers showed that the chain was maintaining its upward momentum.

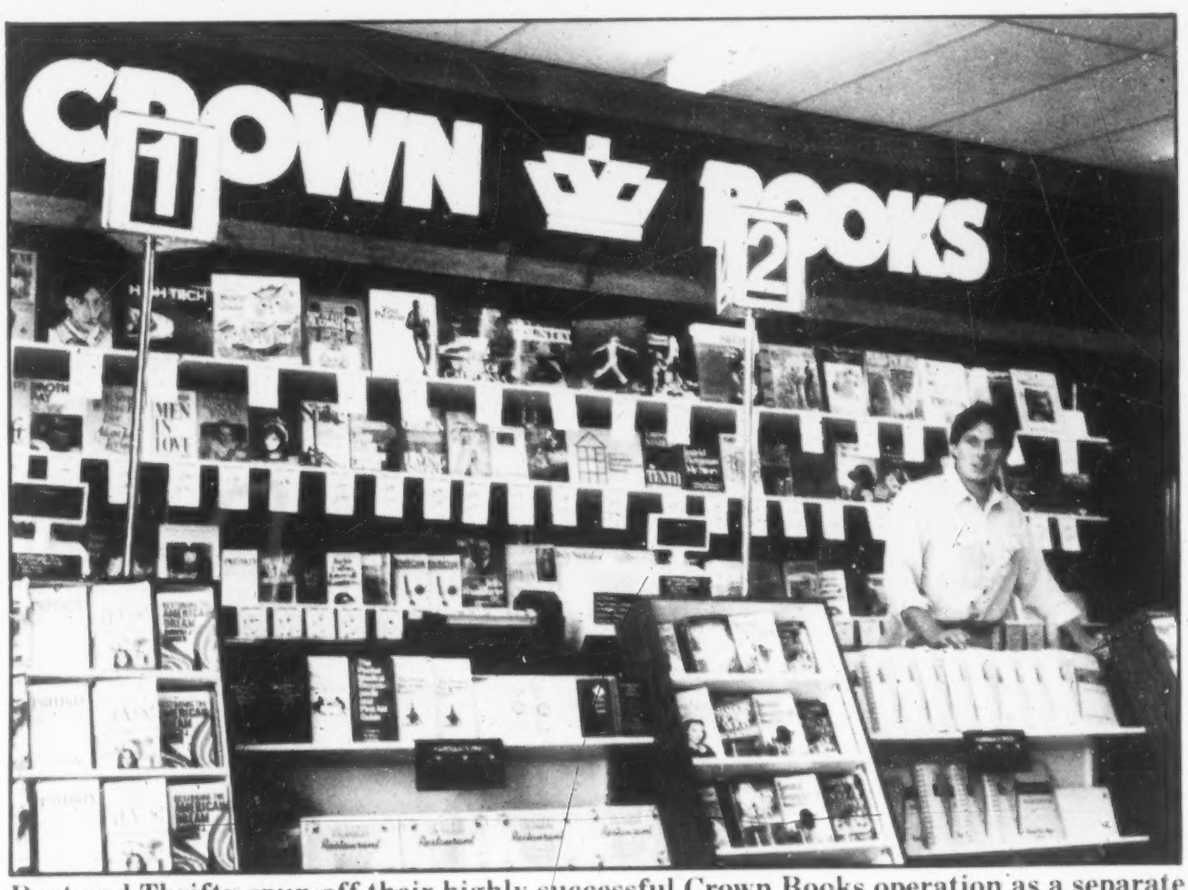
In the third quarter ended Oct. 31, net income rose 187% to $3.1 million on sales of $68.7 million. And for the first nine months, Dart posted earnings of $9.6 million, compared to $10.9 million in the previous period. But the early results included an extraordinary gain of $8.3 million from the sale of a 50% interest in Crown Books East to Thrifty as well as 50% of Trak Auto West operating systems to the same chain. Sales for the nine months were $206.9 million.

Trak spins off

During the year, Dart spun off as a separate company the eastern segment of its fast-growing Trak Auto division. The spin off resulted in a sizable jump in Dart's stock price, from the mid-30s at the time of the release of the prospectus in April to more than 100 by mid-May. By April 11 of this year, the price had settled back to $64, still twice as high as it had been a year earlier.

Dart, with Thrifty this time, also spun off the Crown Books division. With an initial public offering of 2.5 million shares, the two companies hoped to raise $55 million, $20 million of which was slated for the opening of 150 new discount book stores, $5 million to repay advances from Dart and Thrifty, and the rest for working capital.

Crown, which had grown from 11 stores in 1979 to 130 at the time of the offering last year, was yielding earnings of $2.9 million (compared to $193,000 four years earlier).



Dart and Thrifty spun off their highly successful Crown Books operation as a separate public company, with each retaining 34% ownership.

PROFILES

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Genovese on record-profits streak

MELVILLE, N.Y.—Having strung together 12 consecutive record quarters of earnings and sales, Genovese Drug Stores is approaching its 60th anniversary well positioned for the future.

Earnings growth outpaced sales growth by a 2-to-1 margin during fiscal year 1984 as a result of continued cost containment measures and several successful new store openings.

Net earnings for fiscal year 1984 rose nearly 44% to $3.9 million from $2.6 million the previous year. Earnings on a per share basis, adjusted for a 20% stock dividend distributed a year ago and a 2-for-1 stock split in October, rose 43% from 67¢ to 96¢ in fiscal year 1984.

Fiscal year 1984 sales advanced from $158.7 million to $193.8 million. Sales for the fourth quarter increased nearly 25% to $54.6 million from $43.8 million.

Genovese's net-to-sales ratio for fiscal 1984, ended Feb. 3, was 2%, up from 1.6% in 1983.

Net earnings during the fourth quarter rose 42% from $1.2 million to $1.7 million. Earnings per share, also adjusted to reflect the previous year's increase in shares, rose 43% from 30¢ to 43¢.

The Long Island, N.Y.-based chain continued to take advantage of economies of scale in advertising and distribution with its steady expansion into suburban communities surrounding New York City. During fiscal 1984, Genovese opened 6 stores, bringing its total store count to 72. The chain has identified the New York City suburbs of Brooklyn and Queens as well as parts of Long Island for future increased market penetration.

In 1985 Genovese is planning to open as many as eight new stores, including one that is set to open on Staten Island, the first Genovese drug store in that New York City borough.

Genovese officials have in fact credited the new stores for contributing to the outstanding year-end results. The five new stores opened in 1982 have performed better than had been hoped and the six new units brought on line last year have gone into the black.

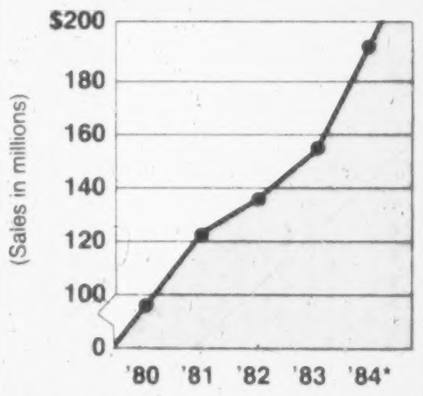
The chain also was able to generate significant increases out of its existing stores. Same-store sales increases were in the 10% range, allowing for 5% inflation and 5% real sales growth.

Genovese continues to emphasize the basic drug store "core" categories, which account for approximately 60% of overall sales. Pharmacy represents 23% of chain sales. Other leading Genovese categories include health and beauty aids (23%), general sundry (17%), cosmetics (8%), photo (5%), front end (includes personal care appliances and consumer electronics—4%), cards (3%), paper products (5%), cigarettes (4%) and candy (4%).

In addition to having posted record sales and earnings, fiscal 1984 provided the 60-year-old chain with another milestone. In December the chain acted on its two-year plan to open a freestanding home health care store. Genovese unveiled the test store in Long Island City, N.Y., the same community where Joseph Genovese opened the first Genovese drug store in 1924.

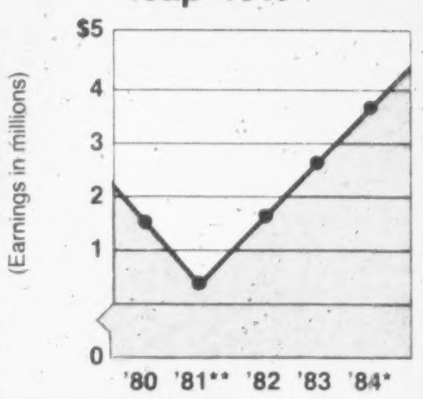
The 6,000-sq.-ft. Genovese Home Health Care Center, which contains a variety of durable medical equipment, exercise equipment, orthotic products and home health care-related soft goods, was patterned after the successful home health care units operated by Peoples and Hook Drug.

Sales approach $200 million mark



Source: Company reports
*Fiscal year ended Feb. 3

Genovese earnings leap 46%



Source: Company reports.
*Fiscal year ended Feb. 3
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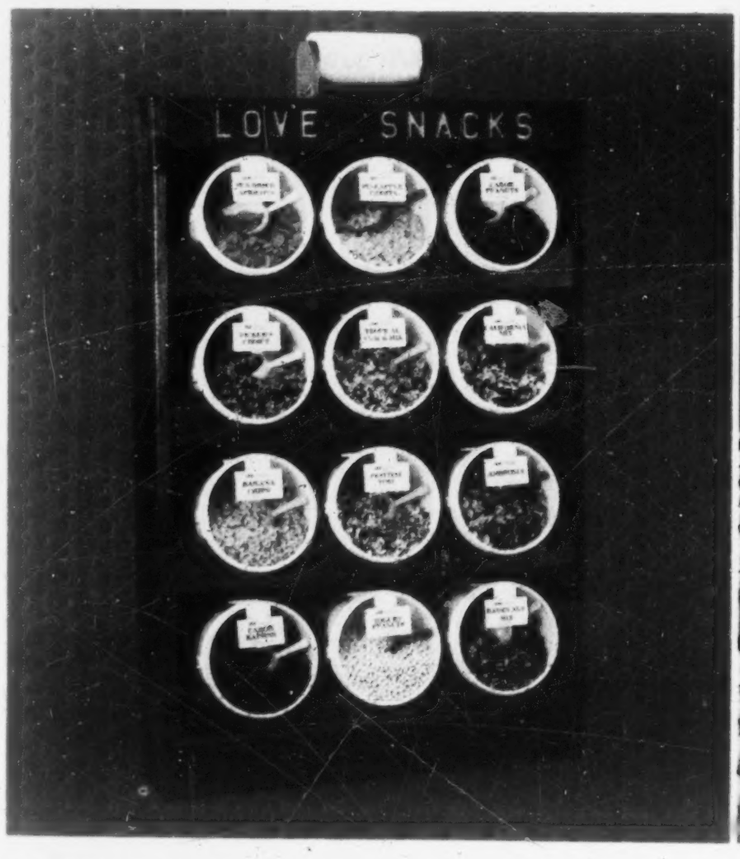

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PROFILES

1984 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Begley earnings climb

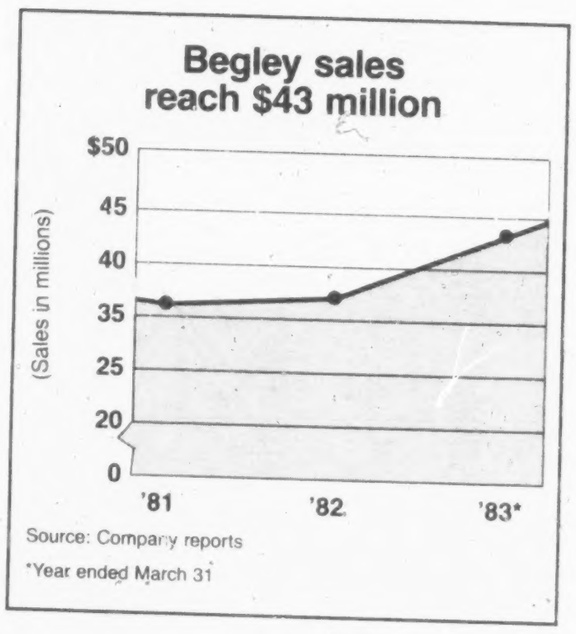
RICHMOND, Ky.—For the first three quarters of fiscal 1984, Begley Drug continued to show strong gains in both earnings and sales.

Subtracting a one-time $140,000 gain from the sale of a Richmond shopping center in the third quarter, Begley's third quarter earnings for fiscal 1983 totaled $580 million. For the three quarters ended March 31 of this year, third quarter earnings were up 35% to $725,637.

Corporate sales for the three quarters increased 10% to $46.5 million, up from $42.2 million. Begley currently operates 45 drug stores, all in Kentucky; four home health care stores, also in Kentucky; one freestanding jewelry store in Cynthiana, Ky.; 110 dry cleaners and two Radio Shack franchises.

In fiscal 1983, the company earned $806,592 on total corporate revenues of $56.8 million. Drug stores accounted for approximately 81% of corporate sales in 1983, about $46 million, a 22% increase over the prior year.

A typical Begley Drug store is about 7,200 sq. ft., averages about $1 million a year in sales and generates sales per square foot of approximately $141.



In 1983, the chain began adding convenience food departments, complete with freezers, to select drug stores. The chain added three such departments last year and plans four more for this year. The typical convenience food department in Begley averages between 700 and 800 sq. ft.

Begley is also currently adding a sizable number of upscale cosmetics items to its drug store mix. The chain may not feature an entire line from any one particular manufacturer, but it does cherrypick the best-selling brands.

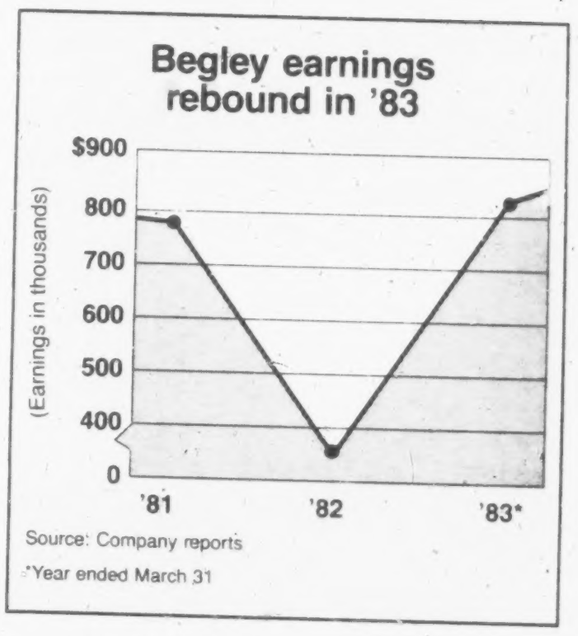
Begley is also continuing its rollout of pharmacy computers begun in 1983. Three stores were equipped with Rx terminals in 1983 and Begley plans to add terminals to another three stores in 1984.

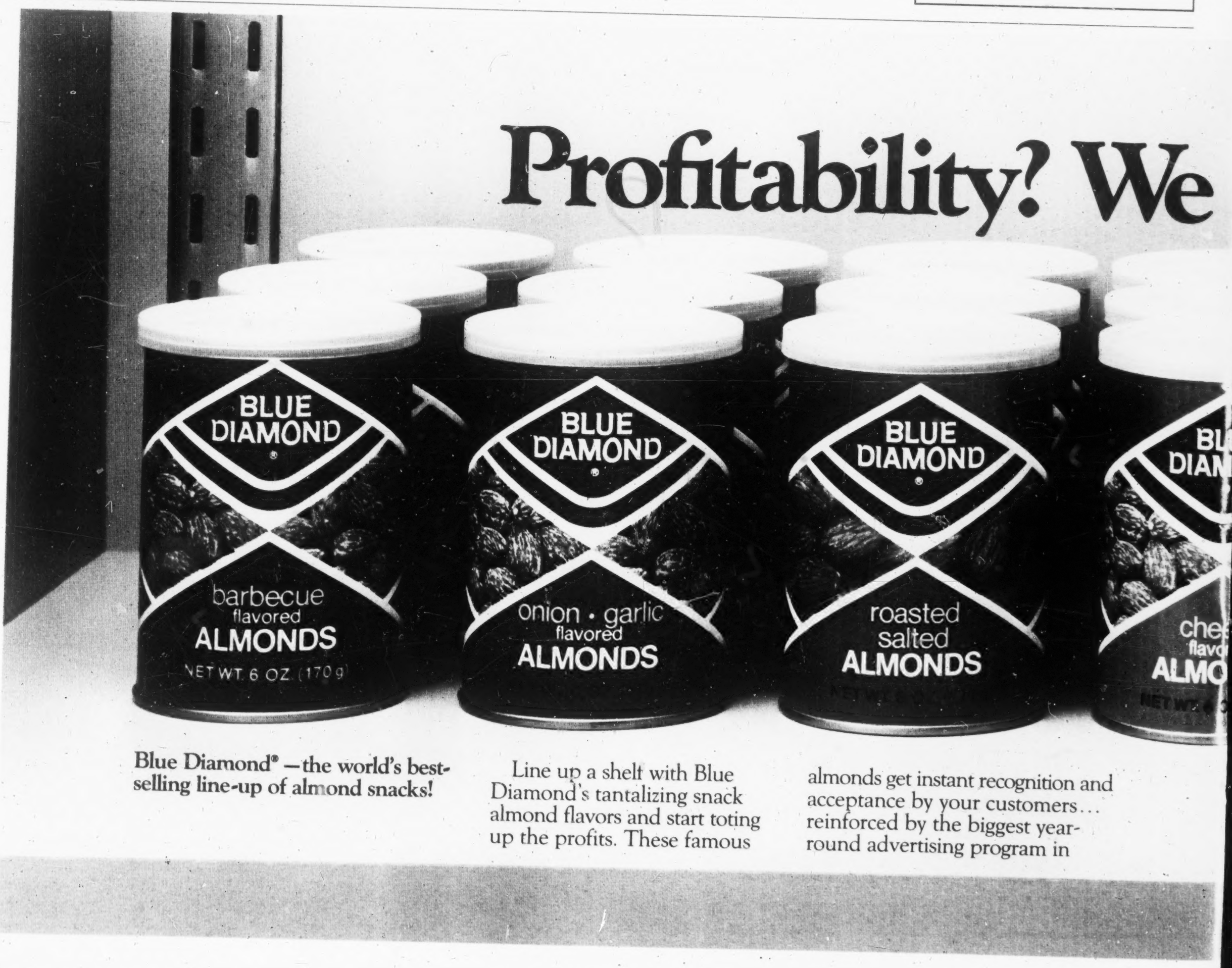
Prescriptions make up 33.5% of total drug store sales in the chain. In 1983, the number of scripts increased 4% to 1.5 million, up from 1.4 million the prior year. Some 52% of these prescriptions were new.

In its nondrug divisions, Begley is also continuing to expand. The company, which opened its first four home health care centers in 1983, plans to add another five this year.

Begley is also studying the sales results of a 2,100-sq.-ft. jewelry store—located in the same Cynthiana, Ky., shopping center—as a traditional Begley drug store. Begley has alredy closed two of three jewelry departments that were located in existing drug stores. These departments had been leased by a separate Begley division.

Begley's second Radio Shack franchise was opened in a Manchester, Ky., 10,000-sq.-ft. drug store. The 1,700-sq.-ft. department currently takes up about 17% of the store's total space.





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1984 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY PROFILES

Duane Reade doesn't go public

LONG ISLAND CITY, N.Y.—Duane Reade, one of the most successful privately operated drug chains in the country, has been on an emotional rollercoaster ride for the first half of this year.

Early in January, president Eli Cohen revealed that the chain planned to go public by March of 1984. A prospectus was filed with the S.E.C. Bear, Stearns & Co. was hired to represent the underwriters. Everything seemed set to transpire as a matter of course.

But between January when the announcement was made and March when the meeting was held to determine opening price for Duane Reade stock, the market suffered a series of reversals.

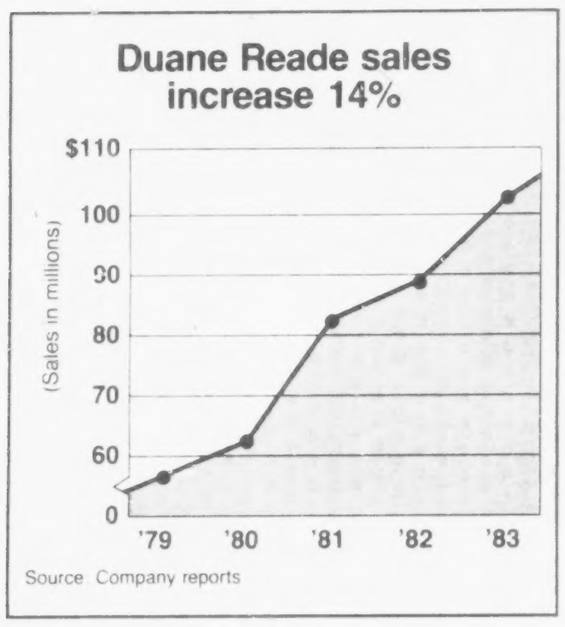
Stock prices for many leading American companies, including the hotter drug chains, declined. The earnings multiples dropped.

Convinced that they had a superior company and a superior financial track record, the Cohen family did not want to settle for an opening price any lower than $16. Wall Street would not go higher than $14.

At $16, the stock would have carried a 20 times earnings multiple. At $14, the multiple was only about 14.5 times earnings.

So Duane Reade, which was set to go public by early spring, is still a private company, and Eli Cohen says the conversion is "indefinitely postponed."

"We're not withdrawing our offering," he says, "but we're waiting to see if the market changes. We don't need to go public if we feel the price isn't right. We're profitable and we can fulfill our growth plans with internally generated funds. The primary reason to go public was for estate purposes, and it is not a move we have to make."



Eventually the S.E.C. can be expected to step into the picture and either ask Duane Reade to withdraw its offering or act on it, but Cohen estimates it can be as long as "several months" before the S.E.C. comes in, and he reasons that in that time the market might change.

In the meantime, Duane Reade, which now has 22 stores, is going ahead with expansion for three or four new stores in the metro New York market.

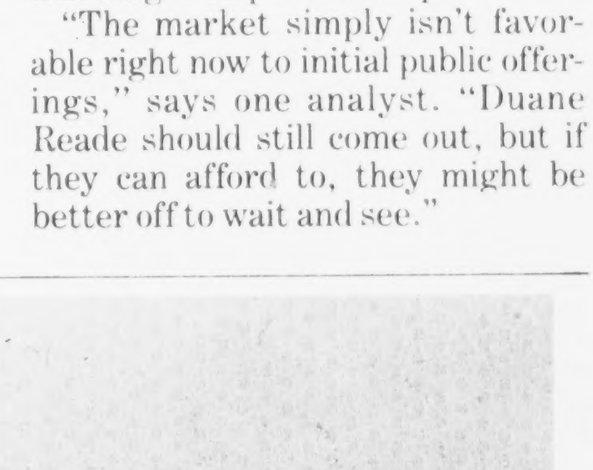
The chain is in various stages of negotiations for leases. The typical Duane Reade store averages between 4,000 and 5,000 sq. ft. and generates approximately $5 million a year in sales. For the 1983 fiscal year ended last Oct. 31, sales totaled $102 million, an increase of 13%.

With pretax profits for fiscal 1983 totaling $17.6 million on sales of $102 million, Duane Reade has one of the highest pretax profit margins in the industry. Its 17.2% pretax margin is more than double the industry's average.

Its return on equity is also extremely high—48%, meaning that for every investor dollar in 1983, the company netted 48¢.

Wall Street analysts say the only thing that prevented the chain from going public was the disagreement over multiples. The Cohens felt their numbers justified at least a 20 times multiple. But Wall Street felt that in today's market the multiple was out of line. Analysts pointed out that in late March, chains like Walgreens and Eckerd were only commanding a 12 point multiple.

"The market simply isn't favorable right now to initial public offerings," says one analyst. "Duane Reade should still come out, but if they can afford to, they might be better off to wait and see."



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Percentage of purchases resulting from in-store decisions

Category	% of purchases	Category	% of purchases
Jewelry/leather goods	83.12%	Shaving needs	57.67%
Cards/novelties	82.43	Apparel	57.55
Seasonal items	81.60	Hair care	56.77
Candy/gum	75.44	Barbecue/patio	56.45
Stationery/school & office	73.40	Electric/batteries	55.02
Toys/sporting goods	69.12	Magazines/books	53.93
Housewares	68.90	Other OTC's	53.79
Garden	68.87	Skin/sun care	53.69
Cosmetics	65.65	Foot care	53.62
Fragrances	65.22	Dental care	52.50
Pet foods & supplies	64.89	Cough/cold	52.31
Foods	63.74	Optical supplies	50.21
First aid	63.14	Beverages	48.39
Hardware/paint	62.52	Diet aids	47.52
Vitamins/food supplements	61.96	Baby needs	47.48
Household cleaners	61.46	Digestive aids	39.48
Paper products	60.94	Photo	39.30
Automotive	58.80	Analgesics	38.54
Feminine hygiene/ contraceptives	57.85	Tobacco	31.16
Personal hygiene	57.71	Prescription	2.50

Source: POPAI/Du Pont 1983 Merchandising Study

1983 POPAI/Du Pont survey tracks drug store shopper

Drug Store News Special: Here are the preliminary results of the POPAI/Du Pont 1983 merchandising study, featuring interviews with 12,131 consumers and the analysis of 27,782 drug store purchases.

SAN DIEGO—The average shopper in a drug store buys 2.27 items and spends $7.26. But according to preliminary findings from the just concluded POPAI/Du Pont merchandising study, only 43% of the items purchased are specifically planned when the typical shopper walks into a store.

Nearly 6 out of every 10 purchases made within a drug store are made in response to merchandising aids the shopper encounters once he or she is in the store.

In examining the 27,282 purchases made by the 12,131 consumers who participated in the study, POPAI found that 11,622 or 42.6% of all purchases were specifically planned by brand meaning that shoppers intended to buy these items when they entered the store. Another 3,655 or 13.6% were planned by general category, meaning shoppers knew they were going to buy skin care items or soda but they hadn't yet decided which brand. Some 1,255 purchases were substituted when a specific brand proved to be unavailable.

A whopping 10,749 purchases, or 39.4% of all purchases, were not planned at all. They were impulse sales made in response to merchandising stimuli encountered within the store.

The study provides impressive evidence that the in-store decision-making process is the strongest variable influencing consumer purchases.

Planned purchases

Purchase determinants	% of purchases made
Specifically planned purchase	42.6%
Generally planned	13.4
Substitute purchase	4.6
Unplanned/ impulse purchase	39.4

Source: POPAI/Du Pont 1983 Merchandising Study

POPAI/Du Pont 1983 merchandising study

External advertising like circulars, store ads or manufacturer coupons may bring shoppers into drug stores but more than half the items that shoppers buy while in the stores will be prompted by in-store merchandising aids.

In 32 out of the 40 major drug store categories, POPAI discovered that in-store decisions influence at least half of all recorded purchases.

The highest impulse sales come from the most consumable categories, which are traditionally among the drug store retailer's key departments: jewelry and leather goods; cards and novelties; seasonal items; candy and gum, and stationery. At least 7 out of every 10 purchases within these categories come from impulse sales.

Continued on page 145

Key advertising influences on typical drug store shoppers

Advertising aid	Shoppers who used the aid
Store ads in general	17%
This store's ad	13
Store's circular	11
Store's window displays	2
Planned to shop this particular store	78

Source: POPAI/Du Pont 1983 Merchandising Study

Folgr
Bounty
Pampers
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Scope
Folgers
Vacuum
Ivory Liquid
Head & Shoulders
Duncan Hines Cake Mix
Crisco Oil
Cascade
Secret
Crisco
Crest
Duncan Hines Chocolate Brownies
Duncan Hines Cookie Mix
Comet
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You know that we have quite a track record for fast-selling brands at P&G. But you may not know that of 28 grocery categories where we have major brands, we have a leading seller in 24 of them.
This kind of performance is more important than ever—to both of us.
When you're planning promotions, they can sell through more quickly and pull in more customers if you build them around popular, fast-moving brands. Like our leading brands.
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But fast-moving products are just one place where our interests clearly coincide.
We want to become knowledgeable about your objectives in such areas as merchandising, shelf space management, and store productivity—so we can work together as partners to help us both reach our goals.
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POPAI researchers focused their efforts at point of sale

The POPAI/Du Pont $300,000-plus merchandising study may be the most comprehensive ever conducted in the drug store industry.

To develop their findings, POPAI researchers interviewed over 12,131 consumers intercepted as they shopped in a total of 258 drug stores.

With the permission of the participating chains and independent drug store owners, the researchers approached shoppers as they entered the store and queried them on the items they intended to purchase.

POPAI/Du Pont 1983 merchandising study

If the shopper was cooperative, the researchers asked such things as why he or she chose to shop this particular store, what the shopper liked and disliked about the store, what the shopper intended to purchase, whether he or she used a shopping list and/or coupons, etc.

After the shoppers had completed their shopping trip and were checking out, the researchers asked if they could itemize the purchases to see whether they had indeed made all their planned purchases.

POPAI's researchers itemized the purchases by brand, size, category, price and quantity. If a purchased item turned out to be a substitute for a planned purchase, that was noted. They also noted whether shoppers, in making the purchases, were influenced by such merchandising aids as in-store signs, store displays, store coupons, newspaper ads, etc.

The study was conducted in two parts: the summer and late fall of 1983. The stores involved in the study were located in 40 major markets which covered the five main geographic regions of the country.

Some 63% of all the stores in the study turned out to be located in an open mart. Just 14% of all the stores in the study were in shopping centers anchored by a traffic-drawing retail entity like a supermarket. Just 6% of the stores were in isolated areas while 7% respectively were either in central business locations or other business locations.

Some 46% of all the stores in the study had one to three independent drug stores located within a half a mile of their operation while 42% had one to three chain drug stores within half a mile. Twenty per cent of the stores had one to three supermarkets nearby.

The average store in the study was 13,860 sq. ft. The average purchase per shopper was 2.27 items.

Among the chains which participated in the study were: Walgreens; Eckerd; SupeRx; CVS; Rite Aid; Thrifty; Pathmark; Genovese and Sentry.

The findings were based on a total of 27,282 purchases made in 39 major categories. Computers ultimately analyzed the findings by major category, by 300 subcategories and by individual brands.

The stores used in the POPAI merchandising study were located in 40 major United States markets.

Big spender: young, affluent shopper

Who are the "big spenders" in a typical drug store?

Well, according to preliminary results from POPAI/Du Pont 12,000-plus consumer merchandising study, the big spenders in drug stores tend to be between the ages of 25 and 35, living in a household of just two people, making $35,000 a year or more *and* using credit cards.

According to the preliminary results of the POPAI study released last month in San Diego, the average number of purchases per credit card shopper was 3.96. The average purchase for shoppers not using credit cards was 2.89.

Nearly 8 out of every 10 drug store shoppers are female. Typical shoppers, the findings show, visit a drug store about six times a month. They stay for an average 14 minutes. They typically buy 2.27 items and spend an average $7.26.

The hottest selling days are mid to late week: Wednesday, Thursday and Friday.

The peak selling period in a drug store is between 2 p.m. and 6 p.m. The next busiest time frame is from 10 a.m. to 2 p.m.

Some 23% of the shoppers in the POPAI survey were between 25 and 34.9. The survey found 29.3% came from two person households and 32%

(Continued on page 146)

'83 survey tracks drug store shoppers

(Continued from page 144)

Even highly advertised products like deodorants have a high-impulse rate even though the millions that manufacturers spend on advertising specific brands within this category would make one assume that planned purchase decisions would be much higher.

However, according to POPAI's findings, only 49.6% of all deodorant purchases were specifically planned before shoppers walked into the store. Thirty-five per cent were absolutely unplanned and another 15% were either substitute sales or purchases made by shoppers who simply knew they wanted to buy some type of deodorant. Decisions as to which type, which brand, were made while shoppers studied the category selections within the stores.

An old drug store stable, cotton balls, had an extremely high in-store decision rate of 75%. The findings suggest that shoppers tend to be looking for bargains and if they see one in the store, they will buy a specific product even though they hadn't planned to buy that product when they first entered the store.

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GG Geneva Generics

POPAI/Du Pont 1983 merchandising study

Big spenders: young, affluent shopper

Continued from page 145

made $35,000 a year or more.

Shoppers who stayed in the stores 10 minutes or less tended to buy the most items. POPAI found that if shoppers were in the store 10 minutes or less, they averaged 0.59 purchases. If they were in the store 10-15 minutes, they averaged 0.53 purchases. But if they were in the store 15-20 minutes, the purchase rate fell off to 0.38 items, while if they stayed 30 minutes or less, it went down to 0.11 purchases.

Consumers who could not find the item they planned to purchase or who found it was out of stock frequently tended not to make any purchase. According to POPAI's research, some 2,972 purchases or 11% of planned purchases were not made because shoppers could not find the items once they got in the store.

8 out of every 10 drug store shoppers are female

Source: POPAI/Du Pont 1983 Merchandising Study

How the average shopper uses a typical drug store

Avg. time spent shopping a drug store	13.6 minutes per store
Avg. number of trips per month	6
Avg. purchase per trip	$7.26
Avg. monthly purchase	$43.56

Source: POPAI/Du Pont 1983 Merchandising Study

Shopping time vs. purchases

Time in store	Incidence of purchase
10 min. or less	0.59
10-15 min.	0.53
15-20 min.	0.38
20-25 min.	0.28
25-30 min.	0.22
30 min. plus	0.11

Source: POPAI/Du Pont 1983 Merchandising Study

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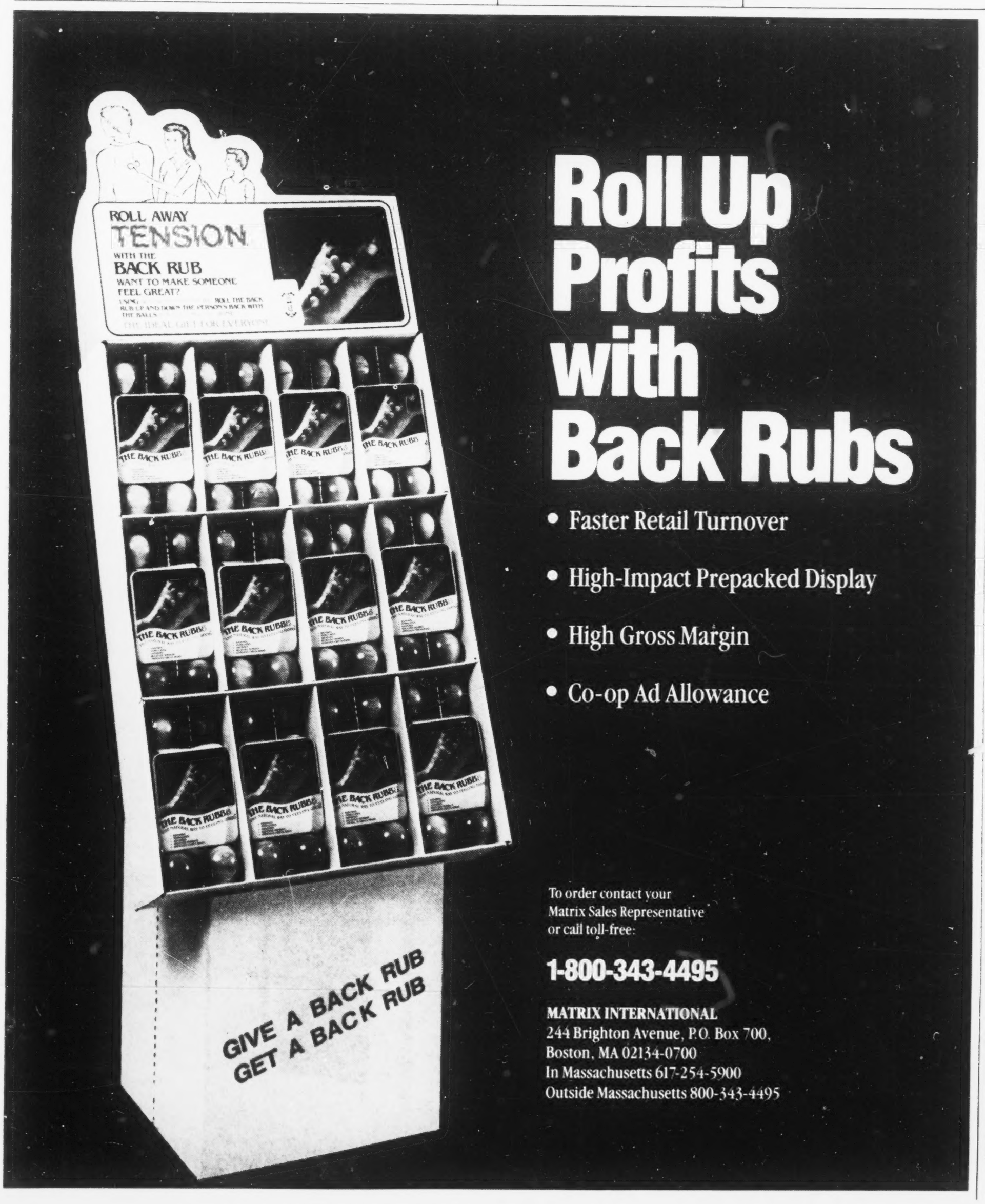

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Dispute value of cosmetics sales clerk

Does a cosmetics sales clerk help a drug store increase sales of cosmetics?

Not very much. And probably not enough to offset the cost of the sales clerk, according to the POPAI/Du Pont merchandising study just concluded.

Preliminary findings from the survey indicate that only 12% of all drug store shoppers report that cosmetics sales clerks really aid.

However, even though only 12% of shoppers say a sales clerk helped them make a purchase, some 50% of the drug stores in the POPAI study employed a cosmetics salesman, while 25% employed the better-trained and even more expensive cosmetologist.

Pharmacists, the study also found, were only credited with helping shoppers make 5% of their purchase.

Only 12% of shoppers said clerks aided sales.

New merchandising categories emerge

More than half of all 258 drug stores in the POPAI/Du Pont merchandising study were selling beer or wine and 39% were selling liquor.

The findings are particularly impressive because they include controlled states in which drug stores are not able to sell alcoholic beverages.

In our exclusive report on POPAI's full findings, which will be published in the Dec. 12 issue of *Drug Store News*, we will be able to catalog all the major and emerging merchandising categories within drug stores.

The initial findings, released last month at POPAI's annual convention in San Diego, however, show some interesting merchandising trends.

Some popular drug store products

Category	% of drug stores featuring the category
Greeting cards/ wrapping paper	99
Magazines	97
Refrigerated beverages	71
Ice cream freezers	54
Newspapers	52
Beer/wine	54
Liquor	39
Personal computers	33
Video games	21
Frozen foods	18

Source: POPAI/Du Pont 1983 Merchandising Study

As expected, POPAI's in-store researchers found that some 99% of the 258 stores in the survey featured a greeting cards and wrapping paper section. Ninety-seven per cent carried magazines. However, only 52% carried newspapers.

In new and nontraditional areas of drug store retailing, POPAI found that a stunning 33% of all stores sold personal computers while a surprising 18% sold frozen foods.

Ice cream freezers, as you would expect, were in about 54% of survey stores but only 21% carried video games.

There was further confirmation of the current trend toward providing convenience to today's shopper: 71% of all the drug stores in the study featured cold beverage cases while 94% of all the stores accepted credit cards.

An additional 21% had charge accounts available for their frequent shoppers.

POPAI/Du Pont 1983 merchandising study

Just 15% of the stores in the study provided utility payment services, but those that did enjoyed a higher incidence of purchases per shopper.

In the pharmacy department, the average store in the study filled a total of 851 scripts per week while employing an average number of 2.7 pharmacy personnel.

Newspapers still the most popular drug store ad vehicle

Merchandising aids	% of stores using aid
Newspapers	67
Store circulars	65
Radio/TV ads	37

Source: POPAI/Du Pont 1983 Merchandising Study

More results set for Dec. DrSN issue

Highlights from *Drug Store News*'s Dec. 12 exclusive on the full findings of the 1983 POPAI/Du Pont merchandising survey:

- A ranking of the 100 most productive categories within today's drug stores: spotlight on categories with the highest proven incidences of purchase.
- An analysis of which categories are likely to have a high incidence of planned purchases vs. store decision-making/impulse purchases. Retailers armed with this information can manipulate in-store merchandising aids to maximize impulse sales.
- An analysis of the variables that impact the strongest on planned purchases. Can a retailer expect more movement from a manufacturer's coupon, a television ad, newspapers or store circulars?
- An analysis of the in-store merchandising aids that best turn products. Do in-store displays work as well as POS and what happens when a product is given endcap placement?
- A look at who the key buyers are in any given merchandising category.
- An analysis of cross purchasing behavior. How likely is someone who buys a diet aid to buy a cologne or a food supplement. Valuable information that can lead to better tie-in sales.

All this and more coming in the Dec. 12th consumer study of *Drug Store News*.

Western shoppers buy big

Drug stores in the Pacific and western regions of the country tend to be larger than drug stores in any other part of the country. Consequently the average purchases per shopper in these stores tend to be larger, too.

According to the initial findings of the POPAI/Du Pont 1983 merchandising survey, shoppers in the Pacific regions outbuy the rest of the country by a significant margin: 2.75 items per shopping trip compared to an average of 2.27 for the nation.

The Southeast shopper has the next highest purchase rate, 2.43 with the West Coast 2.42.

Stores in the Midwest and the Northeast had the lowest purchase rates, 2.33 and 2.24, respectively.

Purchases per trip by region

Region	Avg. purchase per shopper
Pacific	2.75
Southeast	2.43
West	2.42
Midwest	2.33
Northeast	2.24
Average	2.27

Source: POPAI/Du Pont 1983 Merchandising Study

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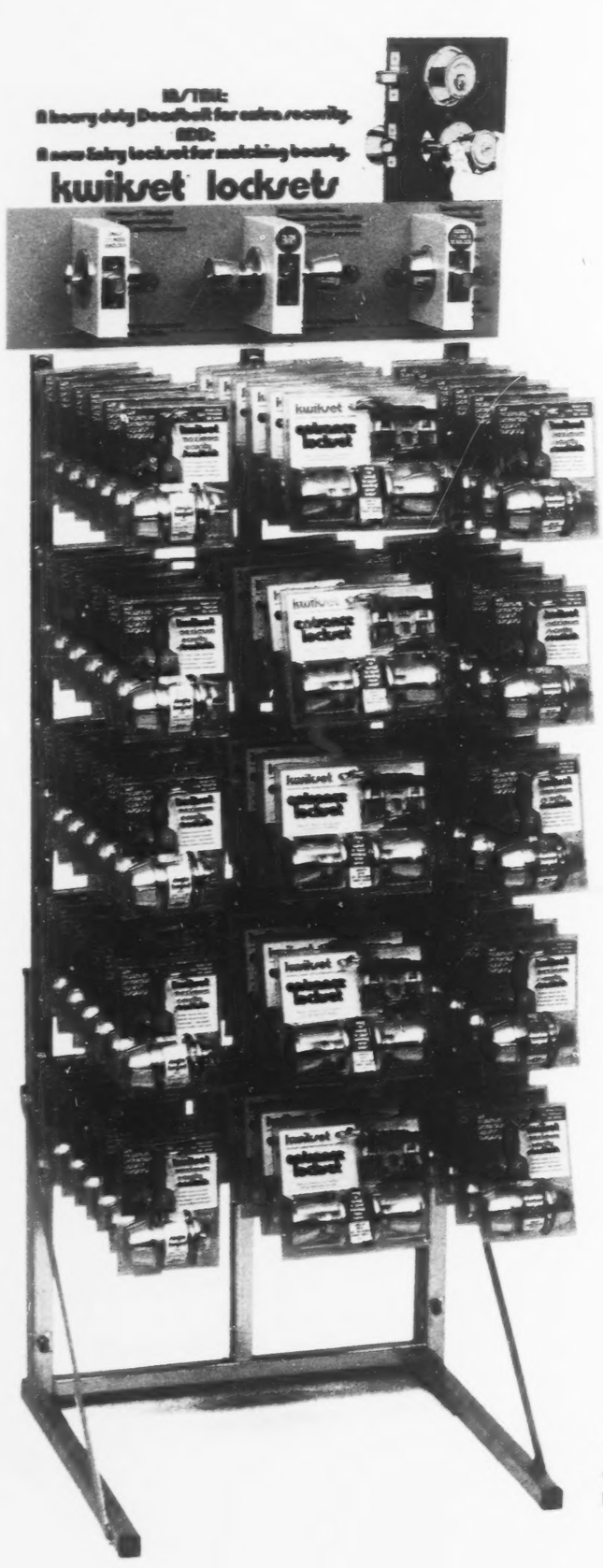

Burglaries happen in America at the rate of one every seven seconds. Obviously, your customers have strong concerns about security and are interested in replacing old locks.

And that's why high-margin Kwikset locksets and deadlocks are producing large profits in drugstores across the country. Not only do they give your customers increased security, but they add to the beauty of the entryway, as well.

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PHARMACY
F.D.A. approves consumer Rx ads—p. 37

MERCHANDISER
Special report on ethnic products—p. 61

DRUG STORE NEWS

Vol. 6 No. 11 | Serving the Retail Drug Store Industry for 55 years | Published by Lebhar-Friedman Inc. | May 14, 1984

2 Dart execs offer $160M for drug div.

By Bruce Buckley

LANDOVER, Md.—Dart Drug has tentatively agreed to accept a $160 million offer for its 73-store retail drug division from a group headed by two Dart executives—Al Towle, drug store division president, and Stephen J. Hansbrough, senior vp of distribution and data processing.

The deal hinges on the ability of Smith Barney, Harris Upham & Co. to arrange financing for the leveraged buyout and is subject to the execution of a definitive agreement

The group is expected to take the new company private.

The size of the offer surprised industry observers, since it is approximately half of what Imasco Ltd. agreed to pay for Peoples Drug, which generated three times as much revenue as Dart last year and is clearly the leader in Dart's primary market: Washington, D.C.

As Eliot Benson, vp and research director of Ferris & Co., a Washington-based investment firm, put it, "The sellers are getting a helluva good price."

Benson pointed out, however, that it was difficult to say how sweet the deal actually is for Dart, since the true earning power of the drug division is blurred by the profit contribution of Trak Auto and Crown Books.

Moreover, he said, the drug division, Trak and Crown all share certain facilities, including distribution, so it is hard to pinpoint how expenses are allocated among the three operations.

In the fiscal year ended Jan. 31, Dart reported a 68% increase in net earnings to $15.3 million, while consolidated sales rose 8% to $282.9 million.

But those results include Dart's share of the earnings from the discount books and auto parts companies. In the year ended Jan. 31, Crown's profit was $4.9 million on sales of $91.4 million, while Trak netted $4.6 million on $58.6 million in sales.

Dart owns 67% of Trak and has a 34% interest in Crown. Both operations were spun off as separate public companies last year.

Based on Dart's average 1.74 million shares outstanding, the

Continued on page 86

While there is little merchandising continuity in an Odd Lot store, consumers are attracted by the chain's sharply reduced prices.

Revco to take over Odd Lot

By Jim Ricchiuti

TWINSBURG, Ohio—Following the success of its two-year-old joint venture with Odd Lot Trading Inc., Revco D. S. has agreed to purchase the New York-based wholesaler and retailer of closeout merchandise for 4.4 million shares of the drug retailer's common stock.

The acquisition, which is subject to a complete audit examination of Odd Lot's most recent fiscal year, is valued at approximately $110 million. The takeover will bring the 58 Odd Lot stores in New York, New Jersey, Connecticut and Pennsylvania, and the 28 stores jointly operated by Odd Lot and Revco in Michigan and Florida all under the direction of Revco.

In addition, Revco will gain complete control of Tangible Industries Inc., the wholesaling subsidiary of Odd Lot that has been a major supplier of closeout merchandise to the Twinsburg, Ohio-based drug chain.

Last year, Odd Lot posted sales of $127 million. Earnings were $11.3 million. Its Tangible Industries subsidiary accounted for $78 million or 61% of Odd Lot's total sales in 1983.

Odd Lot also operates two distribution facilities in New

Continued on page 85

See related stories on page 3

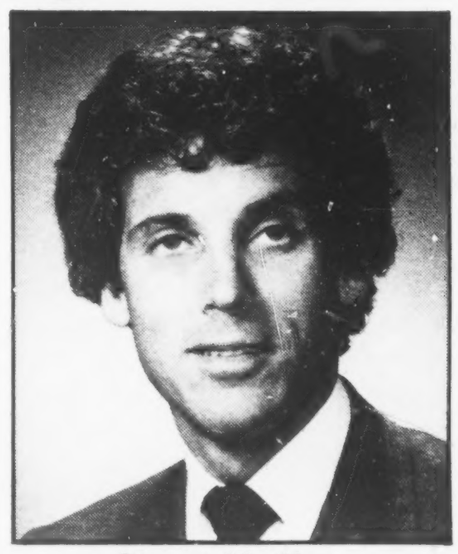
Pay 'n Save, Schuck's ex-execs forge deal

SEATTLE—Still trying to recover from an unanticipated negative stockholder reaction to its recent acquisition of the Schuck's Auto chain, Pay 'n Save has effected a management compromise that promises a new direction for the company.

The arrangement, which gives two board seats to two of the company's largest stockholders and makes one of them an executive vice president, postpones and possibly ends what some sources feared was the beginning of a possibly devastating proxy fight.

It also makes it likely that Pay 'n Save will gradually convert from a highly decentralized chain to one more strongly centralized and controlled.

The plan effects a reconciliation between two major stockholders—Samuel Stroum, 62,



Stuart M. Sloan

the retired chairman of Schuck's, and his 40-year-old son-in-law, Stuart M. Sloan, who was Schuck's president—and the company's management. Sloan, who originally

Continued on page 86

Gray turnaround 'encouraging'

By Liz Parks

CLEVELAND—Gray Drug Fair, the 420-unit retail drug store division of Sherwin-Williams, has just ended a first quarter in which operating profits more than doubled on a sales increase of 10%.

Analysts who follow Sherwin-Williams say the quarter may represent a "turnaround for the division" and that it may end the year with net earnings in excess of $15 million. Analysts also believe that operating profit margins, which reached a low of 1% at the end of calendar 1983, may reach as high as 2.5% or 3% by the end of 1984.

A 3% operating profit margin would still be far below the 6% which is the industry average, but to the analysts tracking Sherwin-Williams' stock, it would be a "significant accomplishment for the division."

"It is very encouraging," says Steve Albert of Kidder Peabody. "In fact, the results for this quarter were above my expectations. I had expected March sales to go up less than 5% because Easter was in last year's quarter and it came later this year. It came in April."

For the quarter just ended March 31, the drug division generated $3.8 million in operating profits, an increase of 123% over the same period last year. Division sales for the year increased 10% to approximately $135 million.

Sales for the entire company, which includes the Sherwin-Williams retail paint stores as well as the company's coatings and chemicals division, in-

Continued on page 85

Generic, branded vendors compromise on patents

NEW YORK—A compromise reached after a marathon bargaining session between representatives of the branded and generic pharmaceutical industries is expected to pave the way for passage of the Drug Price Competition Bill by June.

Under the terms of the tradeoff, the branded manufacturers will receive limited patent extension for some of their drugs and the generic companies will get the right to submit Abbreviated New Drug Applications to manufacture generic versions of some 125 drugs approved after 1962.

The measure, if passed, is expected to double the number of multisource drugs available to the public. Among them are generic versions of such top-selling drugs as Inderal and Valium.

The bill (HR-3605), sponsored by Rep. Henry A. Waxman (D-Calif.) is also expected to spur pharmaceutical research as a result of increased effective patent life for drugs.

John G. Breen
Chairman, president & ceo
Sherwin-Williams Co.

"Gray Drug is making a concerted effort under Carl Bellini's leadership. Our first quarter has been very encouraging. Drug stores more than doubled their profits over 1983 [in the first quarter]. We are beginning to think more positively toward major expansion."

(Excerpt from Sherwin-Williams April 25 annual stockholders meeting.)

Four-year-old Marc's discount chain expands

CLEVELAND—Marc Glassman has added a fourth store to his growing deep-discount chain here—now the largest in this area and among the top 10 in the entire country.

And although the chain, called Marc's, is only four years old, one source predicted it will realize $55 million in sales by June. The chain includes Shulman's, the deep-discount store where Glassman apprenticed and which he bought last year. The Glassman empire also covers one franchise operation in Dallas called the Texas Drug Warehouse.

While sources said that Glassman, who could not be reached for comment, has no plans for further franchises, he is considering a fifth Marc's at a site south of Cleveland, possibly in Cuyahoga Falls.

This growth means Marc's is outpacing other area deep-discounters, including Fisher Foods' Jax, which has two stores here and whose expansion has yet to materialize, and Jody Fazio's one Jote's outlet. Marc's is also attempting to gain market share from other, conventional operators, including Revco, with its everyday low prices, and Gray, which offers healthy promotions.

Glassman's newest store opened last month in Great Northern Shopping Center, located in the Cleveland suburb of North Olmstead. Gray Drug operates a store within the same center and there is a Jax within five miles.

One source said this Marc's is expected to generate $14 million in sales during its first year. If the new store does as well as the Marc's in Southland Shopping Center, sales could reach $25 million.

While this new store is similar to other Marc's in size, layout and products, it has added some unique merchandising features.

For example, shoppers can buy 5 lb. of books for $1 and can even weigh them on a scale at the display. For those not yet old enough to read, there are rainbow-colored, soft-sculpted dolls and animals hanging from a wall and make-shift roof—at eye-level for tots seated in push carts. There are also tables of cowboy hats for winter-beaten Midwesterners who long for the warmer Southwest.

Rainbow-colored soft sculpted dolls and animals are displayed in "Marc's Zoo."

"There's a high emphasis on being unusual," said Mark Russell, manager of the new store. "Everybody throws their ideas together."

This Marc's, which is about 18,000 sq. ft. including storage, is very much like the other stores with promotional items, such as trial sizes, along the perimeter walls and everyday

Continued on page 86

—News in brief—

Spring buying show May 21-23

NEW YORK—Over 200 chain drug execs will attend the combined Associated/Affiliated spring buying show at the Omni Park Central Hotel here May 21-23.

The show at the former New York Sheraton will include some 120 exhibitors, including the following first-timers: Coca-Cola, Mexico Industries, Jordache Electronics, Island Magic, Search Marketing, Hyman Products, Higgs Home Health Care and H&H International.

Chain drug members of each buying group will view exhibits on different floors from 9 a.m. to 5:30 p.m. on May 21 and 22, and will be free to visit both floors May 23 from 9 a.m. to 1 p.m.

Prior to the combined show, Affiliated will have showroom presentations for its members at its offices May 17-19.

On May 20 both organizations will have separate meetings. Affiliated will host its "What's Good with You" program that includes panel discussions on buying plans for the fall and producing gift catalogs.

On the same day, Associated will hold a nonluncheon membership meeting, chaired by David Eisenberg, senior vp of Peoples Drug Stores, where buyers will exchange ideas.

Eckerd to open 2nd photo lab

CLEARWATER, Fla.—Eckerd Drug Co. plans to open its second one-hour film processing mini-lab next month in the Tampa Bay area.

A third mini-lab will also be built here but no completion date has been given.

The chain installed its first 600-sq.-ft. mini-lab, called Eckerd Express Photo, last fall in an effort to increase its share of the 35mm processing business. Equipment in the center can process print film in four formats: 110, 126, 35mm and disc.

Walgreens changes purchasing personnel

DEERFIELD, Ill.—Walgreens has made some changes in its purchasing department. Steve Lubin, formerly a housewares/appliances division buyer, has been named buyer of toys and sporting goods.

Leo R. Titus has been assigned a new divisional purchasing position for electrical and personal care appliances. He was formerly housewares buyer. William F. Scranton, formerly responsible for auto supplies and hardware, has been promoted to Titus' former position as housewares buyer.

Promoted to assistant buyer for housewares/appliances, is Raymond L. Lalowski. He was previously merchandise coordinator in the fashion division. Also, Teresa D. Young has assumed Lalowski's previous position. She was formerly coordinator for fashion accessories. Linda H. Togliatti has been promoted from cosmetics supervisor to merchandise coordinator, replacing Young.

Paulini named Jax chief

CLEVELAND—Fisher Foods has hired Bob Paulini to head its two-store Jax deep-discount drug store division. Paulini, formerly a buyer and merchandiser with Kroger's Cleveland buying office, replaced Fred Barney, who left Jax to head up Medicare-Glaser's deep-discount operations.

At Kroger, Paulini was in charge of buying and merchandising for a wide variety of product areas for both Kroger food stores and Kroger's warehouse supermarket units called Barney's.

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Vol. 6, No. 11 May 14, 1984

Eckerd vs. Merck suit set for trial

CLEARWATER, Fla.—The Jack Eckerd Corporation and Merck & Company, one of the country's largest manufacturers of pharmaceutical products, are set to go to trial over charges that Merck, by adopting a one-tiered pricing policy, created a monopoly for its products designed to "squeeze out competition at the wholesale level."

A Federal District court judge in Tampa last month denied Merck's request for a summary judgment which would have dismissed the complaint as not justified. Judge Terrell Hodges said the trial will take place in January 1985.

Eckerd filed the complaint in April 1982, ten months after Merck switched from a two-tiered pricing structure to a one-price-for-all program. Before making the switch Merck had been selling to wholesalers at prices approximately 5% less than they were charging retailers who bought direct.

Eckerd, like many other large chain retailers, was frequently able to get a better price for Merck products by negotiating with wholesalers than they could by negotiating with Merck. To get the business, wholesalers would negotiate their 5% spread to pass on volume discounts for bulk purchases.

Now that there is one price for all, however, wholesalers have no spread with which to negotiate and Eckerd alleges in its complaint that this means that Merck has created a "monopoly" for its products.

Eckerd also alleges that the change is costing the company $72,000 a month in higher acquisition costs and they are asking the court for damages treble the amount it loses each month the system continues.

When the suit was originally filed, Merck had countered by asking for a dismissal of the complaint on the grounds that Eckerd could not demonstrate that Merck had possession of a monopoly "in a relevant market," and further, Merck's attorneys argued, even if Eckerd could prove a monopoly existed in a relevant market, they could not claim their alleged loss was an antitrust injury.

Merck based its request for a summary judgment on Section Two of the Sherman Act which specifies that a plaintiff must show possession of monopoly power in "the relevant product

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House bans state requirements

Future looks bright for copay relief

WASHINGTON—The drug store industry is now within striking distance of securing Congressional relief from one of its most pressing third-party Rx reimbursement problems—Catch 22 Medicaid rules forcing pharmacies to absorb "copay" costs for thousands of indigent patients.

At presstime the House had already passed legislation prohibiting states from imposing such copayment requirements on prescription drugs for Medicaid patients, and according to one drug store industry lobbyist, "we're at least halfway home."

Reversing that 1982 Rx copay law has been a top priority for both chain and independent drug store lobby groups concerned that the controversial requirements would create a multimillion dollar drain on the profits of participating Medicaid pharmacies.

According to National Association of Chain Drug Stores president Robert Bolger, those Federal copay rules have already "imposed a loss of more than $40 million annually on retail pharmacies."

Congress created the problem inadvertently two years ago while drafting Medicaid "reform" provisions in the Tax Equity and Fiscal Responsibility Act.

That law authorized states to trim their program costs by requiring Medicaid patients to share part of the cost of health benefits. But at the same time, that statute prohibited the denial of health care services to patients unable to afford these "copays."

As a result, drug stores participating in the program are effectively forced to absorb these costs for all Medicaid patients who refuse to pay their share.

Although the copay amounts are nominal (50¢ to $1 per Rx), they represent a potentially significant profit drain for drug stores.

Despite repeated appeals from chain and independent drug store groups for Reagan Administration relief from the copay provisions, it appears unlikely that Federal Medicaid officials will take any action unless Congress moves to amend the law.

(A Health Care Financing Administration response to the industry's Medicaid reimbursement concerns is now under review by the agency, but reportedly that response will not provide for any regulatory relief from the copay trap.)

Although drug store industry leaders are encouraged by the House action last month, they acknowledge that it is still far from certain whether the Senate will approve similar legislation.

The House ban on Rx copays, originally drafted by Health Subcommittee Chairman Henry Waxman (D-Calif.), was passed as an amendment to this year's Omnibus Budget Reconciliation package.

The Senate has not voted on its companion budget bill, and at presstime the legislation under debate in that chamber contained no provision for Medicaid copay relief.

Indications are that pharmacy groups will wait until the two conflicting versions reach a joint Congressional conference committee before pressuring Senate leaders to accept the House-passed provision.

FINANCIAL

Inclement weather saps Hook 1st qtr. earnings

INDIANAPOLIS—Inclement weather sapped Hook Drug's first quarter earnings, according to chain chairman and president J. Douglas Reeves.

For the period ended March 31, Hook's sales rose 9.1% to $81.7 million from $74.9 million in the comparable quarter last year, but earnings dropped 28.5% to $1.4 million from $1.9 million.

Income per share declined 27% to 32¢ from 44¢ in 1983. Reeves said that "weak January and February sales" contributed to the 12¢ drop in earnings per share.

Reeves added, "More typical March levels of sales and earnings could not overcome the momentum lost during the opening two months of the quarter. We consider March's results to be more reflective of our business than those of January or February, and we remain confident about 1984 results."

In addition to the harsh weather in Hook's trade area, Reeves pointed out that 1984 results were up against an extremely strong 1983, when earnings jumped 347%.

Thrift sales remain steady

PITTSBURGH—Sales at Thrift Drug Co. for the five weeks ended March 31 were $50 million, the exact amount reported during a similar period in 1983.

However, Thrift's parent company, J. C. Penney, registered a sales increase of 7.7%, to $940 million from $873 million in its domestic stores and catalogs.

During the nine-week period ended March 31, Thrift's sales increased by 3.7%, to $93 million from $90 million. During the same period, sales at Penney's stores and catalog rose 12.2%, to $1.6 billion from $1.4 billion.

Fiscal year-end results

McKesson net rises 21.5%

SAN FRANCISCO—McKesson Corp. reported that net income for the year ended March 31 increased 21.5% to $68.7 million from $56.5 million in fiscal 1983. Earnings per share were up 14% to $3.53 from $3.10.

Revenues for the year increased to $4.3 billion from $3.8 billion, an 11.7% gain.

Despite the record results, Neil E. Harlan, chairman and ceo, said that "our performance did not live up to our expectations."

Harlan cited "margin pressures in our chemical distribution business and the impact of the slowdown in the inflation rate on our drug distribution and wine and spirits businesses."

But he added that he did not expect those factors "to have a significant impact on fiscal 1985."

For the fourth quarter, revenues increased 14% to $1.1 billion from $962,142, but net income declined to $13.9 million from $15.2 million. However, operating profit and pretax income for the quarter were up.

Harlan said the reason for the decline in the fourth-quarter net was a higher tax rate (46% vs. 38% last year), as well as a gain last year of $2.5 million (pretax) from the settlement of insurance claims.

McKesson reported that the profits of the drug and health care group, the company's largest segment, declined 2% to $60.1 million for the year, while revenues increased 15.6% to $2.5 billion.

The company said the profit decline was the result of a slowdown in the inflation rate, a change in the business mix to lower margin sales and increased competition in certain markets.

For the fourth quarter the drug and health care group's operating profits increased 15.8% to $14.2 million.

Dart buyout plan boosts stock 39%

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		4/6—4/23/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
Name	Symbol	High	Low	Close	Change, Amt.	Change, Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Indicated Dvd. Rate, Amt.	Indicated Dvd. Rate, Yield	Last X-Dvd. Date	Last Fiscal Year, Revenue	Last Fiscal Year, Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	15.75	13.25	14.63	1.50	11.43	24.88	12.63	.06	-.96	-8.51	2.50	1.74	62 F	55.3	40.0	2.4	8.4	.04	3	03-09-84	302.1	7.1	2.8	8.00	9.74	1282
Am Stores	ASC	30.13	27.25	29.13	-1.00	-3.32	44.00	24.97	-.67	-.13	5.80	9.15	3.61	92 F	34.2	62.0	1.5	8.1	.64	2.2	03-22-84	7983.7	117.9	1.4	11.95	12.14	0183
Begley Drug	BGLY	16.00	16.00	16.00	.00	.00	24.00	16.00	.00	.26	-1.66	.00	1.47	1.46 N	NC	-10.0	1.4	11.0	.68	4.3	04-13-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	11.13	10.25	10.25	-.75	-6.82	14.50	9.06	-.04	-1.29	.84	4.74	.53	1.4 F	35.8	22.0	3.0	19.3	.00	0	09-21-83	117.0	3.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	89.00	64.00	89.00	25.00	39.06	148.00	57.00	-.06	7.22	7.60	75.61	5.43	6.32 N	207.2	67.0	3.1	9.5	.13	.1	03-05-84	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	5.50	5.38	5.50	.00	.00	9.31	5.25	-.78	.75	-.35	-66.86	.55	65 N	NC	NC	2.6	8.5	.00	0	01-25-84	26.7	.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	24.50	21.63	22.25	.38	1.71	34.88	21.63	-.46	-1.54	4.78	-4.25	1.91	30 S	16.3	6.0	3.1	10.4	1.00	4.5	03-12-84	2325.0	71.7	2.0	.50	15.17	0783
Fay's Drug	FAY	10.25	9.13	9.50	.00	.00	14.50	8.81	-.63	-.78	1.53	.32	.60	1.3 F	27.6	56.0	2.6	15.8	.14	1.5	03-19-84	312.4	8.1	2.0	2.17	2.23	0183
Genovese Drug	GDX	13.25	12.88	13.00	-.13	-.95	20.50	9.31	-.41	.29	-.65	-17.65	.96	2.9 F	43.2	99.0	2.0	13.5	.20	1.5	03-29-84	193.8	3.9	1.7	1.90	4.95	0183
Hook Drugs	HOOK	21.25	18.75	21.00	2.50	13.51	29.75	18.50	-.57	2.35	7.47	19.25	2.01	4.9 F	32.2	7.0	2.7	10.4	1.00	4.8	04-09-84	320.5	8.7	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	40.75	38.50	38.50	-.50	-1.28	50.13	38.25	-.41	-.55	.47	3.42	3.43	5.1 F	17.4	10.0	3.0	11.2	1.12	2.9	02-29-84	1214.4	36.4	1.8	.00	18.76	0183
Pay N Save	PAYN	18.00	17.00	17.38	-1.00	-5.44	28.75	17.00	-.70	-.47	-1.06	11.54	2.02	6.1 F	43.2	1.0	2.5	8.6	.60	3.5	02-17-84	1220.5	30.1	2.3	17.01	14.32	0183
Pay Less NW	PAY	16.50	15.38	16.25	.63	4.00	20.19	14.00	-.03	.80	-2.23	19.42	1.35	2.8 F	26.1	1.0	2.9	12.0	.34	2.1	06-18-84	852.9	24.7	2.0	5.26	6.07	0183
Perry Drug	PDS	15.88	15.25	15.88	.50	3.25	22.38	12.50	.09	.74	-2.27	-27.27	1.02	3.7 Q	50.0	11.0	1.6	14.3	.24	1.5	02-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	31.50	24.00	24.75	-6.25	-20.16	37.50	24.00	-.68	1.05	11.98	-22.38	2.13	5.6 N	29.7	24.0	3.7	10.1	.68	2.7	02-17-84	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	19.50	18.50	18.88	-.13	-.66	23.44	17.88	.09	-.43	3.75	23.32	1.47	2.9 F	24.5	31.0	5.1	12.8	.41	2.2	04-10-84	1223.3	62.2	1.7	.59	6.19	0283
Thrifty Cp	TFD	14.00	12.88	13.00	-.25	-1.89	25.25	11.50	-.02	-.80	-3.66	2.91	1.13	2.3 Q	24.7	18.0	1.9	11.2	.52	4.0	02-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	34.00	31.38	33.50	1.25	3.88	40.38	30.00	-.21	.31	-.23	11.48	2.24	4.6 Q	24.4	34.0	2.9	14.3	.72	2.1	05-14-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	24.50	23.63	23.63	.13	.53	39.50	21.00	-.01	-.54	1.81	-2.86	1.60	2.2 S	14.6	38.0	1.4	13.7	.32	1.4	01-26-84	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	37.00	32.88	36.50	2.75	8.15	51.00	32.50	.01	.88	.98	6.90	3.44	3.8 N	11.7	5.0	1.6	10.1	2.40	6.6	02-24-84	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	25.00	24.25	24.50	-.50	-2.00	28.50	22.25	.02	.14	3.42	-25.90	.94	1.43 N	NC	103.0	.7	17.1	.00	0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	16.13	14.50	15.38	-1.00	-6.11	21.00	11.19	-.22	.27	-9.87	-71.88	.89	5.1 N	113.3	97.0	.4	16.0	.00	0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	13.25	12.75	13.00	-.38	-2.80	19.25	12.75	-.20	.22	1.89	10.17	1.41	6.4 F	83.1	8.0	1.2	9.2	.36	2.8	03-09-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	20.13	17.75	19.25	1.50	8.45	28.75	15.50	.21	.36	-6.44	22.11	1.35	3.1 N	25.0	48.0	1.6	12.4	.14	.7	03-30-84	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	44.38	40.25	43.63	3.13	7.72	53.38	38.25	.17	.50	.51	-27.00	2.86	4.9 F	20.6	28.0	11.9	15.3	1.20	2.8	04-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	54.25	52.13	52.75	.25	.48	54.75	42.88	.05	-.11	.21	-9.52	4.00	4.1 F	11.4	17.0	12.9	13.2	2.64	5.0	02-06-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	17.13	15.63	17.00	.13	.74	31.31	15.63	-.19	1.82	3.55	-41.11	1.45	2.3 F	18.8	28.0	11.8	11.7	.33	1.9	03-23-84	1842.5	218.1	2.0	1.18	7.52	1282
Block Drugs Co	BLOCA	27.25	27.25	27.25	.00	.00	34.47	23.31	.01	.23	-1.72	.00	2.85	4.7 N	17.6	14.0	9.7	8.7	1.00	3.7	02-24-84	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	47.38	45.00	46.63	.25	.54	48.00	35.75	.13	-.06	-2.38	-6.48	3.00	4.1 F	15.8	19.0	10.4	15.5	1.60	3.4	04-02-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	22.75	21.50	21.88	.63	2.94	29.00	18.00	-.53	.07	1.97	42.44	2.12	3.1 N	15.5	35.0	5.7	9.5	.48	2.2	04-13-84	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	18.88	15.25	18.25	3.00	19.67	18.88	10.38	2.06	1.53	5.75	52.53	NA	NA	NA	NA	NA	NA	.12	.7	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	24.38	19.00	20.88	1.75	9.15	40.75	16.13	1.10	.80	1.42	54.47	.48	.0 2 N	-3.5	57.0	13.4	38.7	.00	0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	6.50	5.88	6.13	-.13	-2.00	15.25	4.88	-.11	-.77	-2.52	12.30	.22	-.2 0 F	-47.6	33.0	5.1	27.8	.00	0	00-00-00	37.0	1.9	1.8	.65	3.81	1182
Key Pharm	KPH	14.25	12.50	13.25	.00	.00	25.94	12.00	-.56	-.58	2.79	-6.40	.51	1.7 F	50.0	60.0	14.8	26.0	.16	1.2	03-12-84	127.3	18.8	1.6	.03	1.14	1282
Lilly Eli Co	LLY	66.13	63.25	64.38	1.13	1.78	68.38	56.75	.15	-.28	3.85	-.75	6.13	7.1 F	13.0	12.0	15.1	10.5	2.90	4.5	02-08-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	2.75	2.50	2.63	.00	.00	4.38	2.00	-.43	-.84	1.07	63.01	-.49	5.4 Q	NE	-57.0	-14.3	NE	.00	0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	35.75	31.50	35.00	2.25	6.87	48.00	27.25	.41	.60	-2.68	14.79	.78	.4 3 S	72.8	15.0	8.2	34.3	.40	1.1	03-14-84	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	97.50	92.50	95.50	2.75	2.97	104.63	83.63	.16	.03	-.63	-15.64	6.10	4.9 F	8.7	7.0	13.9	15.7	3.00	3.1	03-01-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	84.25	73.63	80.25	4.75	6.29	84.25	60.00	.98	-.13	4.71	-28.57	5.15	1.0 9 S	23.1	17.0	5.2	13.8	1.76	2.2	02-23-84	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	4.88	4.50	4.50	-.50	-10.00	11.38	4.50	-.68	-.61	1.38	28.79	-.03	-.0 9 N	NE	14.0	-3.4	NE	.00	0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	35.25	32.50	33.00	.00	.00	44.75	32.25	-.49	-1.25	-.49	-5.10	2.73	6.2 F	29.3	17.0	11.9	12.1	1.32	4.0	01-26-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	4.00	3.75	3.75	.00	.00	6.09	2.50	-.36	.17	-2.85	-25.86	.10	.0 6 S	85.7	64.0	6.1	28.8	.05	1.3	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	17.25	15.88	16.63	-.25	-1.48	29.38	15.88	-.26	1.07	2.78	-46.30	2.40	4.2 F	21.2	20.0	10.3	6.9	.68	4.1	02-03-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	31.50	29.00	30.50	1.13	3.83	34.25	25.25	.38	.04	4.36	-23.71	2.02	2.2 F	12.2	11.0	8.9	15.1	1.08	3.5	02-06-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	13.25	12.13	12.25	-.63	-4.85	29.63	12.13	-.04	.03	-5.99	15.43	1.13	-.3 9 N	36.7	2.0	5.2	18.3	.32	2.6	03-14-84	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	46.50	39.38	41.50	-4.75	-10.27	55.88	39.38	-.44	.18	3.53	-37.15	2.39	-.1 7 F	-6.6	14.0	11.6	17.4	.52	1.3	02-06-84	946.0	110.0	2.2	4.10	13.32	1282
Squibb Corp	SQB	43.63	40.00	43.25	-.38	-.86	55.63	38.25	-.38	.98	2.31	-26.07	3.31	3.0 F	9.9	6.0	9.8	13.1	1.44	3.3	02-10-84	1768.9	173.3	2.3	6.54	21.29	1282
Sterling Drug	STY	26.63	25.38	25.50	-.50	-1.92	29.63	23.50	.21	-.18	2.08	-2.35	2.24	.0 7 F	3.2	8.0	7.2	11.4	1.16	4.5	05-01-84	1901.2	136.8	2.8	1.19	14.16	1282
Syntex Corp	SYN	41.88	38.88	41.13	2.38	6.13	61.50	37.75	.10	-.01	-.77	-24.01	4.30	4.0 S	9.9	36.0	17.2	9.3	1.60	3.9	02-06-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	21.88	17.50	21.38	1.00	4.91	26.00	12.75	.98	1.48	3.26	-5.82	1.65	4.9 F	42.2	89.0	11.0	13.0	.40	1.9	03-26-84	149.4	16.5	4.5	.00	4.53	1182
Upjohn Co	UPJ	72.25	65.38	67.75	2.25	3.44	72.25	50.75	.56	-.56	2.97	3.82	5.28	1.1 0 F	26.3	1.0	8.1	12.8	2.56	3.8	03-30-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	35.13	32.75	34.63	1.13	3.36	36.75	26.38	.06	.15	-.58	3.75	2.51	4.6 F	22.4	-2.0	6.5	13.8	1.48	4.3	02-06-84	3108.3	200.5	1.9	7.53	17.75	1283

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

1983 figure totals $42M

Top chains hike TV ad spending 25%

NEW YORK—The top 15 chain drug television advertisers increased their local TV ad spending by an average of 25% in 1983, according to the Television Bureau of Advertising.

The 15 chains spent a total of $42 million last year, compared to $34 million in 1982. The upsurge in local spending, said an association representative, reflected the need to promote the chains' images locally.

Total drug store local television spending increased 21% to $55 million.

Eckerd was again the biggest TV advertiser, outspending its nearest rival, Revco, by more than 2 to 1. Eckerd's expenditures for local electronic ads increased 3% to $11 million compared to Revco's $5.6 million.

While Eckerd's local budget remained fairly constant, its spending for regional network TV dropped dramatically to $109,200 from $324,900 the previous year. A chain spokesman said, "Anyone who spends money on network TV is wasting a lot of money." Most of Eckerd's regional network TV money is spent in the Southeast.

Although Eckerd was the biggest spender locally, the company that had the biggest percentage increase was Drug Emporium, the fast-growing chain of company-owned and franchised deep-discount stores. Drug Emporium's TV spending increased 183% to $1.1 million. Phil Wilber, president, said he was "surprised the numbers weren't even higher." He said the TV ad blitz reflected the increase in store count to 30 last year compared to 17 in 1982, as well as the growth in volume.

Gray Drug's TV spending was also significantly higher. The Cleveland-based chain more than doubled its 1983 TV ad dollars to $1.1 million.

On the West Coast, the biggest spender was Thrifty, with $4.7 million going for local TV ads. The Los Angeles-based chain allocated more than twice as much as Longs, the second leading West Coast TV advertiser. Longs' expenditures were up 21% to $2 million. Third-ranked Pay Less (Calif.) increased its local TV ad budget by 64% to $1.3 million.

The only West Coast chain that decreased its budget was Pay 'n Save. The Seattle-based chain spent $1.5 million in 1983, 13% less than in the previous year.

Overall, only three chains besides Pay 'n Save decreased their TV spending. They were Hook Drug, down 13% to just under $1 million; Genovese, down 8% to $1 million, and Osco, down 1% to $1 million.

Top 15 chain drug TV advertisers

Company	1982	1983	% change
1. Eckerd	$11,092,900	$11,405,700	+ 3
2. Revco	3,271,900	5,624,400	+ 72
3. Thrifty	3,518,200	4,727,000	+ 34
4. Thrift	1,566,700	2,917,900	+ 86
5. Walgreens	2,195,400	2,822,200	+ 29
6. CVS	1,914,300	2,265,400	+ 18
7. Peoples	1,714,400	2,227,900	+ 30
8. Longs	1,689,500	2,045,100	+ 21
9. Pay 'n Save	1,683,200	1,458,400	− 13
10. Pay Less/Calif.	805,200	1,319,600	+ 64
11. Drug Emporium	407,300	1,153,700	+183
12. Gray	544,700	1,115,800	+105
13. Genovese	1,114,300	1,021,400	− 8
14. Osco	1,093,800	1,015,000	− 1
15. Hook	1,140,900	991,300	− 13

Source: Television Bureau of Advertising

Calif. town attracts 3 big chains

MORGAN HILL, Calif.—By early 1985, this town of 20,000 residents, will have three major drug chains: Thrifty, which opened an 18,000-sq.-ft. "Perfecto" last December; Longs, which purchased the Bertelli's store in the Tennant Station Shopping Center in January 1984 and Pay Less NW, which will open a 29,584-sq.-ft. store early next year.

What's the attraction? Right now, Morgan Hill, located 25 miles south of San Jose, is a growing bedroom community of Silicon Valley. But city fathers aren't satisfied just to house Silicon Valley workers; they are actively trying to persuade high-tech companies in the San Jose area to move to Morgan Hill.

The store Longs bought from Bertelli's is 19,500 sq. ft. overall, much smaller than the typical Longs unit of 25,000 to 27,000 sq. ft. The store is being remodeled and the layout changed to conform to the Longs format.

Dan Bertelli, president of Bertelli's, says he sold the store to go into semiretirement. He will continue to operate four smaller stores in surrounding towns.

Undoubtedly, Bertelli's decision to sell was hastened by the prospect of having to compete with the two major chains (Thrifty and Pay Less) that have opened new stores in a locale still waiting for the customer count to catch up with the growth in store count.

Vendor sales of housewares increase 12%

Housewares manufacturers' total dollar sales jumped 12% during 1983 to $22.4 billion. That's the first double-digit sales gain since 1980.

This research comes from the 17th annual B. Angell & Associates study of the housewares industry. The study revealed that discounters now generate about 30% of housewares sales; catalog showrooms, 9%; department stores, 8%; food stores, 6%, and drug stores, 5%. Others, including variety stores and hardware units, account for the rest of the pie. Although drug chains have worked hard to build housewares sales, their percentage actually dropped from 6% to 5%.

Other facts uncovered include:

- Electric housewares accounted for 35% of 1983 sales.
- Cookware sales represented 12% of sales.
- Almost 40% of the manufacturers participating in the survey had a $5 million or more volume in 1983, up from 36% last year.
- White is expected to be the most popular color in 1984 while almond was last year's winner.
- Prices remained stable last year, with 66% of those queried reporting no price increases.
- In 1983, 83% of those questioned said they filled orders immediately.
- And, 48% said they manufactured items totally within the United States.

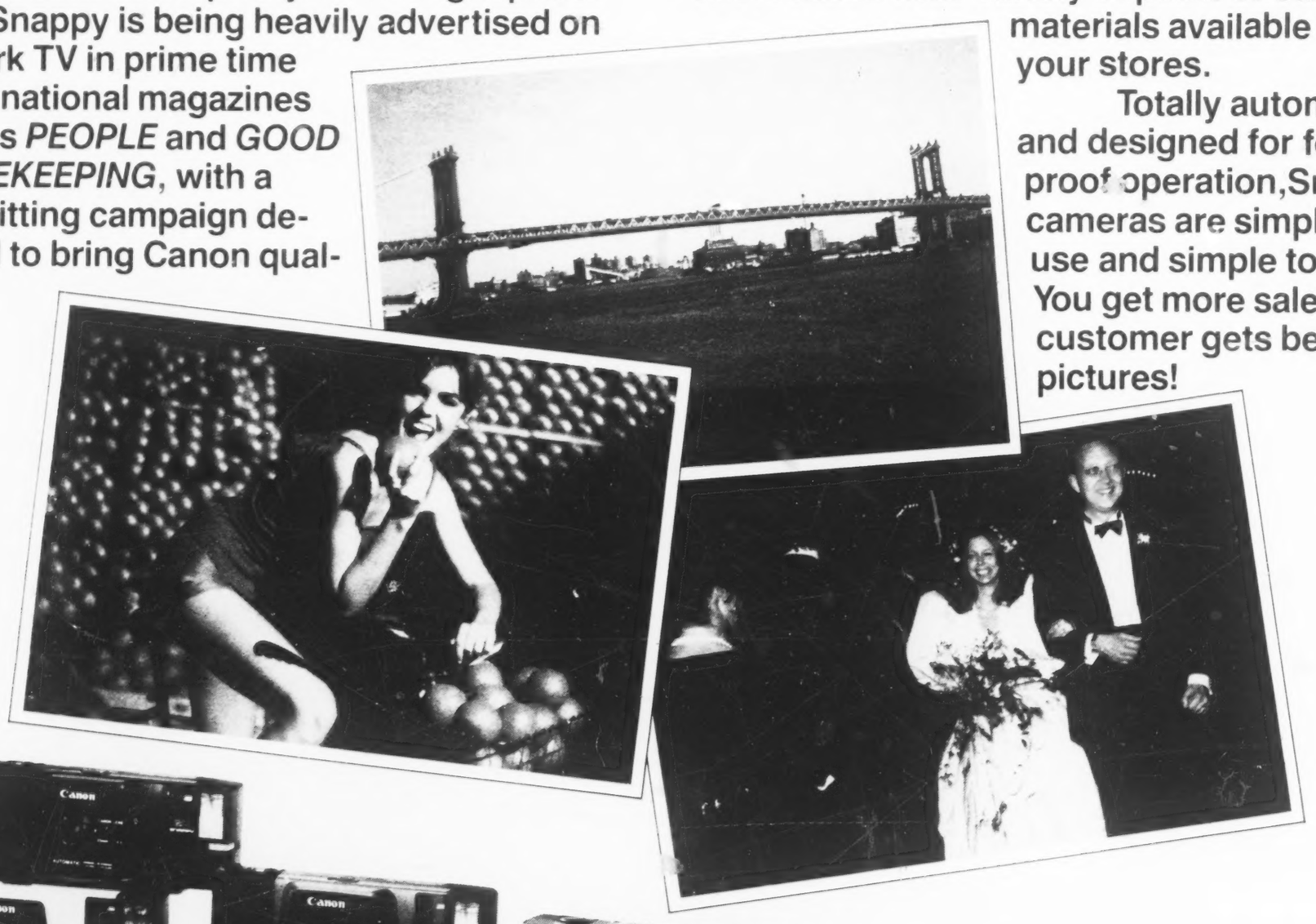
BETTER PICTURES

The Canon Snappy. Quality at the Right Price!

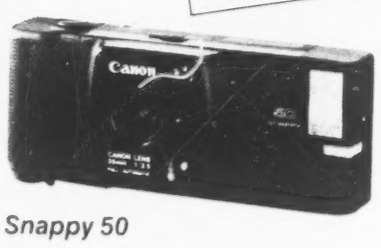
The Canon Snappy is a totally new type of camera, combining snapshot simplicity with Canon 35mm quality. At the right price!

Snappy is being heavily advertised on network TV in prime time and in national magazines such as *PEOPLE* and *GOOD HOUSEKEEPING*, with a hard-hitting campaign designed to bring Canon quality within the reach of millions of additional customers. You can tie-in to this national effort with a wide variety of point-of-sale materials available for your stores.

Totally automatic and designed for foolproof operation, Snappy cameras are simple to use and simple to sell. You get more sales, the customer gets better pictures!



Snappy 20



Snappy 50

Canon Snappy cameras are completely automatic, with motorized film loading, automatic frame advance after each shot, power rewind, automatic exposure control and a built-in electronic flash. The Snappy 20 comes in five terrific colors and features a fixed-focus Canon f4.5 lens. The deluxe Snappy 50 comes in charcoal gray and features a Canon f3.5 lens with autofocus.

Both models are supplied with color-coordinated carrying cords and packed in handsome self-display boxes. And both give your customers better pictures!

The Official 35mm Camera of the 1984 Olympic Games

Canon® Snappy 50/20

Contributor to the U.S. Olympic Team

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• John Schlegel: new start for pharmacy—p. 40

PHARMACY

Limited market tests O.K.'d

F.D.A. gives go-ahead for consumer Rx ads

ROCKVILLE, Md.—Fresh test results from a new Government study of "direct-to-consumer" prescription drug advertising have encouraged the Food and Drug Administration to authorize manufacturer experiments of Rx ads directed to the general public.

Among other things, the F.D.A. study concluded that consumer-oriented prescription drug advertisements can successfully communicate "a large amount of risk information" to patients, and that television commercials are even more effective than magazine ads for informing the public about Rx drug risks and benefits.

On the basis of those research findings, F.D.A. officials announced that the agency will soon propose new regulations allowing drug manufacturers to conduct "limited market tests" of direct-to-consumer Rx ads in order "to obtain more information about the effects of such advertising under more realistic conditions."

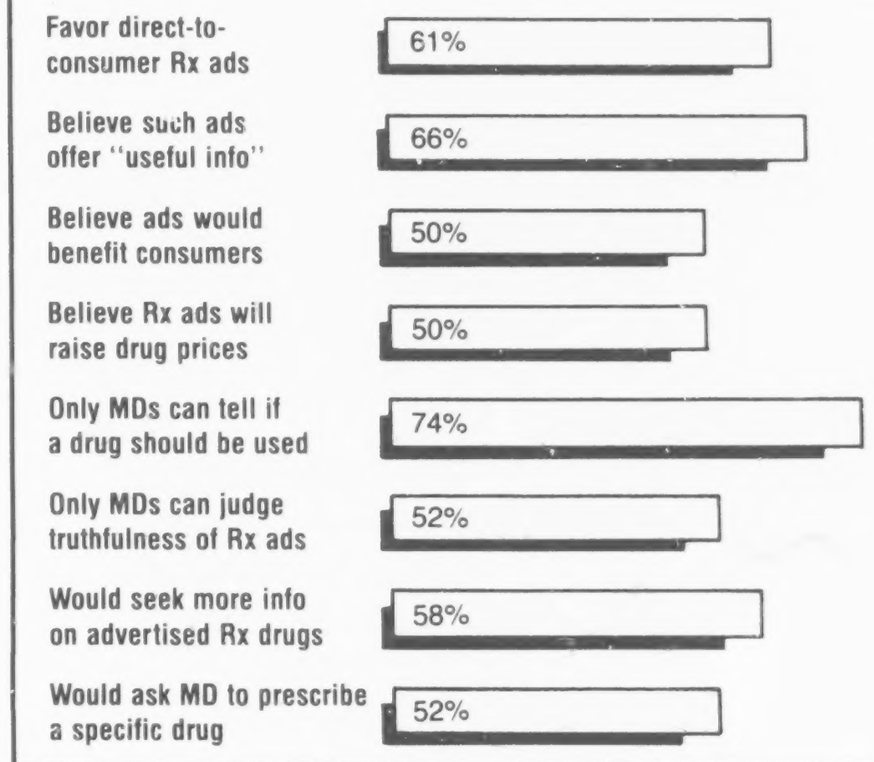
Although several major pharmaceutial firms are eager to begin promoting prescription products directly to consumers, more than a year ago former F.D.A. Commissioner Arthur Hull Hayes Jr. asked the industry to comply with a voluntary "moratorium" on such ads to give the agency time to develop guidelines for consumer Rx advertising.

The results of the new F.D.A. study—the first of several Government and private research projects designed to gather information on the effects of patient-oriented prescription drug promotions—provide fresh ammunition for supporters of such consumer Rx ads.

Those findings, which were released by the agency late last month, were based on "recall, knowledge and attitude" surveys of more than 1,500 randomly recruited consumers in

Continued on page 38

F.D.A. poll results: Does the public want direct-to-consumer Rx advertising?


Favor direct-to-consumer Rx ads
61%
Believe such ads offer "useful info"
66%
Believe ads would benefit consumers
50%
Believe Rx ads will raise drug prices
50%
Only MDs can tell if a drug should be used
74%
Only MDs can judge truthfulness of Rx ads
52%
Would seek more info on advertised Rx drugs
58%
Would ask MD to prescribe a specific drug
52%

Source: Food and Drug Administration

N.Y. Rx group joins mail-order script fray

MAMARONECK, N.Y.—The Westchester County Pharmaceutical Society is marshaling opposition to a new pilot mail-order drug program by General Motors Corporation and the United Auto Workers.

The mail-order program is administered by Metropolitan Life Insurance Company and serviced by Express Pharmacies, Pittsburgh, and National Rx Services Inc., Columbus, Ohio.

"General Motors, the U.A.W., Blue Cross and Metropolitan Life Insurance Company have conspired to put you [the pharmacist] out of business," society president Bernard Wally warned in a letter to members.

"This is really a concerted effort to destroy retail pharmacy. We are urging our members and other interested parties to read thoroughly and understand the brochure that the U.A.W. has distributed to their participants."

While General Motors is the target of the society's protests, all auto manufacturers' employees represented by the U.A.W., IUE, URW as well as unrepresented hourly and salaried employees, retirees and surviving spouses are eligible to participate in the pilot program.

In its presentation to the union membership, G.M. claimed that the two-year mail-order prescription drug pilot program will enable participants to meet their nonemergency prescription drug needs with fewer purchases and at a lower cost.

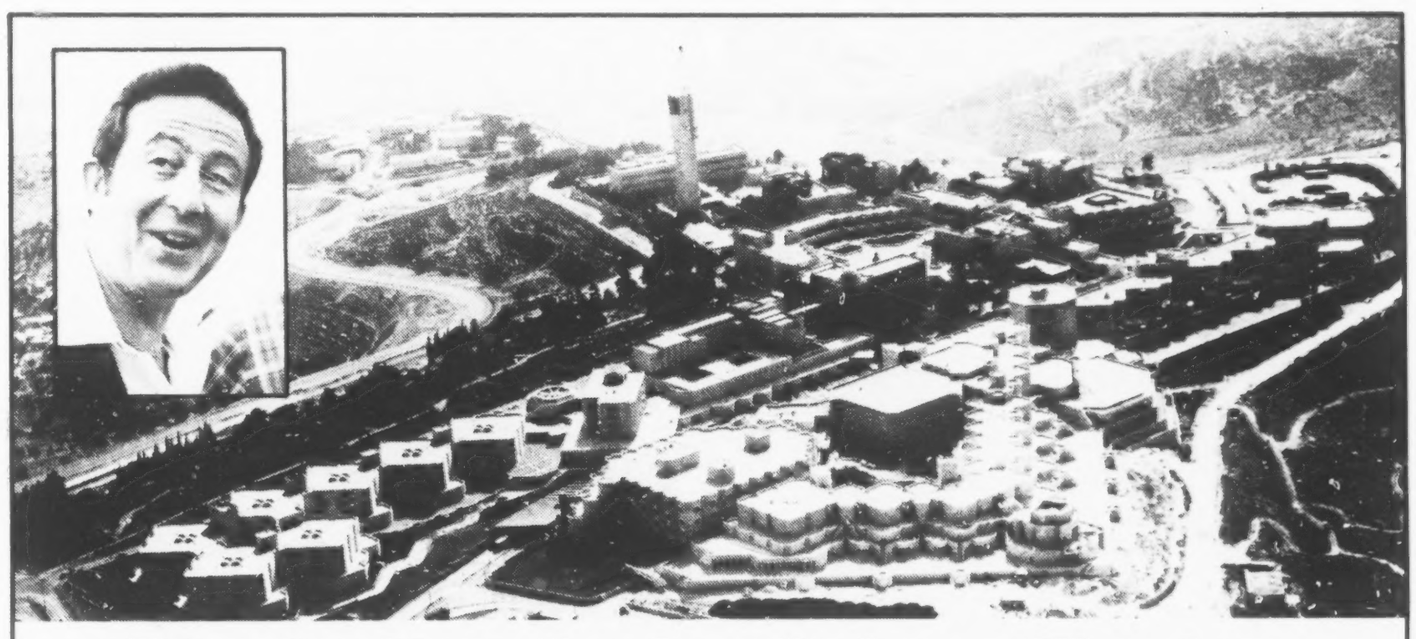
It will be particularly beneficial, according to G.M., to those taking medications for chronic conditions.

"We've been looking at proposals for this type of program since 1981," said James Ball, benefits administrator for the auto company. "Mail-order programs are really nothing new. Many other companies have had them for years."

Ball explained that saving workers' money and offering them extra convenience was G.M.'s primary goal for the program.

Westchester County, N.Y., pharmacists are not the only ones concerned about the loss of

Continued on page 42



Friends of Israeli university honor Eisenberg

The American Friends of the Hebrew Univeristy's Pharmaceutical division are honoring David H. Eisenberg (inset) sr. vp marketing for Peoples Drug Stores with the Torch of Learning Award. Proceeds from a dinner in New York this month will go toward an Eisenberg Chair at the Jerusalem university (shown above). See story page 40.

Pa. rejects pharmacy copay plan

HARRISBURG, Pa.—A proposal to have Medicaid recipients in Pennsylvania pay a portion of their medical and prescription costs was defeated by the state Regulatory Review Commission.

The rejection of the copay proposal, which has been under attack by pharmacy groups because it does not mandate payment by indigent patients, is perhaps the first by any state in the nation.

The proposed rule would have required that Medicaid patients pay 50¢ for a prescription, $1 for a doctor's office visit and $3 a day for in-patient hospital care.

Savings to the state were estimated at $17 million a year, resulting primarily from decreased use of medical services by patients.

Walter Cohen, secretary of the Public Welfare Department, said the Administration will now have to consider other

Continued on page 46

Consumers may be losers in cost-containment battle

BENCHMARKS

By Joseph Caputo, R.Ph.
Pharmaceutical Editor

There's a quiet struggle going on today in the health care field, but most consumers are only dimly aware of it. It involves their right to select their own providers—a right that is slowly being eroded by big business, Government and insurance firms in the name of cost containment.

Health care providers and a few knowledgeable consumers continue to fight a rear-guard action aimed at maintaining some degree of independence from the cost accountants and actuaries, but results haven't been encouraging.

The trend really got going when the Reagan administration relaxed the freedom of choice provision in the original Medicaid legislation, giving states the option to experiment with various cost-cutting approaches, including contracting with special providers of drugs and services.

Private third-party payers, recognizing a good thing when they saw it, began to follow suit.

For example, municipal workers, school teachers and auto workers have all received letters from the administrators of their health plans urging them to participate in mail-order prescription plans or preferred provider organizations.

Inducements include lower copayments ($2 instead of $3) per script and three-month supplies of drugs rather than one-month supplies. Never mind that there are already too many drugs in most medicine cabinets.

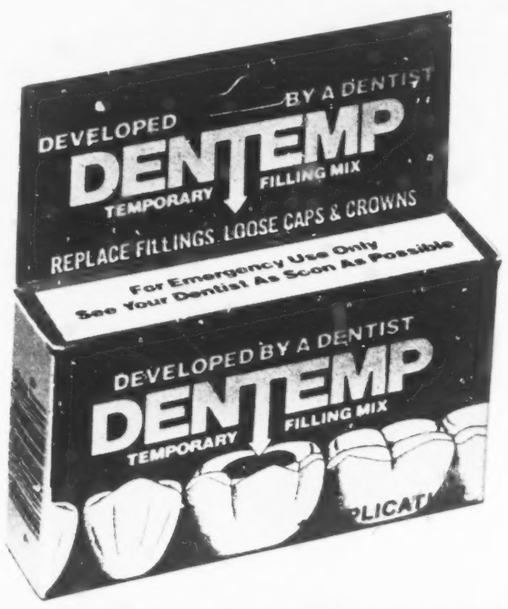
Preferred provider organizations (PPO's) also stipulate what vendors are selected to provide enrollees' prescription services. Besides taking away freedom of choice, this type of cost-cutting approach also opens the door for all types of under-the-table deals.

Patient/employees lose a lot when the right to select their medical health care providers is taken away by Government, employers or insurance companies. Any semblance of quality is removed from the system and only the lowest cost providers are selected for participation in the plan.

Such a system may work well in an assembly line environment which has a built-in system of checks and balances between production and quality control. But the same system won't work when peoples' health is at stake. There is just no way to totally eliminate poor quality work by the vendor willing to supply at the lowest price.

When peoples' lives are at stake, there should be no compromise.

If you have ever lost a filling or had a loose cap or crown, and couldn't get to your dentist immediately, even you might have suffered!



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PHARMACY℞

Feds O.K. limited Rx ads

Continued from page 37

Buffalo, Cleveland, Houston and Seattle during November and December 1983.

Each of the subjects was exposed to either TV or magazine ads for two fictitious prescription drugs: "Dirovin," an antihypertensive delivered through a skin patch, and "Artomine," an antiarthritic drug taken orally once a day.

Then each consumer was surveyed to determine "to what extent, if any, it was possible to convey risk information in consumer advertisements," and if so, whether the format of the ads contributed to patient recall, knowledge or attitudes.

Among the study's chief findings:

- Ads that contained a large amount of risk information successfully communicated that material, and there was no evidence of "information overload."
- Benefits of the drugs were recalled with greater frequency than risks, and "this was true even with ads containing a large amount of specific risk information."
- Television ads were more effective than magazine ads in conveying both risk information and promotional material to the subjects.
- Although the attitudes of the subjects toward direct-to-consumer ads were favorable, some participants expressed concerns about this type of promotion.

Altogether, the F.D.A. researchers prepared 20 different ads for each of the two fictitious drugs, varying each by the amount of specific risk information presented, the emphasis placed on that information, the degree of specificity of risk information provided and the media (TV and print). In addition, two "control" ads were produced—one with no risk information at all, and one containing the full text of a "patient package insert" (PPI).

Noting that TV Rx commercials produced significantly higher information recall rates among the consumer surveyed, F.D.A. project chief Louis Morris said that "for the television ads, only 3% of the subjects indicated that they did not remember the main point and about 10% indicated they did not recall any additional points made in the ads."

In contrast, one-fourth could not recall the main point of the magazine ads, "and about half said they did not remember any additional points," Morris said.

Although the consumers tended to recall information about the drug's benefits more frequently than information about risks (even for the ads top-heavy with risk information), viewers of the TV commercials were far more likely to remember drug warnings and other risk data, the study found.

In addition, "television led to significantly higher scores than the magazine on virtually all aspects of drug knowledge," Morris noted. "Providing specific risk information led to significantly greater recall in total and, in some instances, slightly greater recall of the promotional material."

Morris, who headed F.D.A.'s aborted mandatory PPI project during the early 1980's, also revealed that displaying a patient package insert in a print ad proved "inferior" to "most other forms of risk disclosure."

Although the researchers found somewhat better results by "scrolling" the text of the patient package insert during the TV commercial, Morris acknowledged that "there does not appear to be a great benefit to including a PPI in" television ads, even during a controlled experiment.

Moreover, he said, "whether people would read a scroll while viewing television in their home is doubtful."

Although physician groups have expressed concern that direct-to-consumer Rx advertising would "undermine the doctor-patient relationship," F.D.A.'s study found that most consumers trust their doctor more than a drug advertisement.

"Three quarters [74%] agreed that only a physician could tell if a drug should or should not be used," Morris said. Even more ego-deflating for the nation's pharmacists, the study also found that over half the subjects agreed that "only a physician could tell if an advertisement for a prescription drug was truthful or not."

Consumers exposed to Rx advertising "frequently" drew incorrect conclusions about "the effects of the products," Morris said, adding that "5% of the subjects viewing the high blood pressure drug ad said the main point of the ad was that the drug would make you strong."

Although 61% of the consumers surveyed told F.D.A. "they would like to see prescription drug advertisements," only half believed such ads would benefit the public, and another 50% said consumer Rx ads would drive up drug prices, the study found.

Wrong. This one costs more and still sells more, earns you more than all other brands combined.

Maybe lower prices will get people to switch brands in some categories, but not with witch hazel. Research proves that E.E. Dickinson's still outsells all the others in both units and dollars.*

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And it's the witch hazel that appeals to today's label-reading consumer, double-distilled, with no artificial additives.

*Based on Towne-Oller report of sales, for 12 months through Sept., 1983.

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MERCHANDISER

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DIMENSION SHAMPOO
For beautiful healthy looking hair 15 FL OZ
HDR HAIR DAILY REQUIREMENT SHAMPOO
REVLON 7 FL OZ
CLAIROL HERBAL ESSENCE SHAMPOO
Today's Special
NEW Affinity Shampoo 11 FL.OZ.
PERMA SOFT CONDITIONER FOR PERMED HAIR 8 FL OZ

Mousse takes chains by storm

Rarely does a new category establish itself as quickly as the mousse products that have hit the market with considerable fanfare during the past several months.

But while the initial success of mousse would seem to signal the birth of a new hair care category, retailers are cautiously awaiting indications that the first-time users of the product will become repeat buyers.

In addition, as the mousse segment gains momentum, some chain drug buyers believe that the fledgling category's growth may still eventually come at the expense of hair care product standbys such as sprays as well as the newer, less established hair gel segment.

For drug retailers, their first introduction to mousse came during the Affiliated/Associated Buying Show in New York a year ago. At that time, mousse products marketed by L'Oreal and Helene Curtis were already receiving considerable attention in hair salons throughout the United States.

With an advertising budget pegged at

Continued on page 56

Flood of new shampoos poses risks

The dilemma shoppers face in selecting which new shampoo or conditioner to try is nothing compared to the difficult choices confronting chain drug buyers.

They're in a quandary because they must decide which of the multitude of new products to find room for in an already crowded department.

Shampoo departments, according to Nielsen, now average 69 ft., and drug chains report that they can't enlarge them to accommodate new brands.

"Just because there are new products doesn't mean we expand the department," said Bill Pories, buyer for Peoples Drug.

What makes the category even trickier is that many of the new selections will fail. According to Diana Temple at Salomon Brothers, 9 out of 10 new shampoos falter. Plus, shampoos and conditioners have an average lifespan of less than three years.

What's more consumption is not rising as fast as product proliferation. The shampoo category totaled about $1.3 billion last year—a 3% dollar gain but only a 1% unit gain. "How much more can people shampoo their hair?" asks one buyer. Additionally, it's a fragmented market with only nine brands holding 3% or greater market share.

Since marketers no longer see opportunity for the explosive growth of yesteryear, they've decided to steal market share from each other. One way to do this is to target specific segments of the overall market. For example, Affinity by J&J is aimed at women over 40 (that market is expected to swell 15% by 1990 to a total of 52.4 million).

Perma Soft is directed toward the estimated 47% of the population with permed hair. And, Shulton hopes its newly acquired UltraSwim shampoo, conditioner and soap will appeal to 26 million plus adults who swim on a regular basis.

But manufacturers aren't letting the new brands speak for themselves—they're dangling the heaviest ad budgets ever in front of chain drug retailers. Revlon, for example, will spend close to $60 million in its advertising and couponing efforts. Lever Brothers is expected to shell out $60 million, Clairol $14 million (in advertising alone) and J&J $10 million with Affinity. If these numbers don't sound impressive, consider the average brand is backed by about $6 million.

Drug chains are paying attention. "You're almost obligated to carry anything that is backed with substantial television advertising," reports Bob Layne, buyer for Wellby Super Drugs. "There's no brand loyalty to speak of and that's why advertising becomes especially relevant in a decision to carry a product."

Adds a Midwest-based buyer, "I make sure we have it in our planograms if there is a great deal of support behind it."

Apparently, the ads have been working, and chains report requests for the new brands. Helen James, Hook's buyer, says her stores have already had requests for Perma Soft, and Dimension and Affinity both appear to be moving.

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Inside Merchandiser

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59 • Hair color sprays, perms, accessories round out hair care

MERCHANDISER

Shampoo flooding overflows drug chain shelves

Continued from page 55

Dimension, according to one CVS source, has already come on strong and is hovering around the No. 2 spot for the Woonsocket, R.I.-based chain.

What has happened to older brands? According to chains surveyed by *Drug Store News*, the slower movers have been pared down and in some cases eliminated. "You have to force yourself to do line reviews," says Layne. "We just cut what isn't moving." Often, that means eliminating sku's so that only the 7 oz. and 15 oz. remain.

Among the brands trimmed, according to buyers, are Milk Plus Six, Aquamarine, Prell, Pert, FOHO, Body on Tap, Agree and L'Oreal. However, several "oldtimers" continue to be strong performers despite the new arrivals, and they remain untouched. Flex, for instance, still holds 6% of the shampoo market and 7% of conditioners. Finesse continues to sell, and now has a 2.5% share (it is assumed Finesse has been behind the 3.5% to 3% drop of Silkience). Others holding their share are Jhirmack, St. Ives, J&J Baby shampoo, Suave, Faberge Organics, Sassoon and, of course, Head & Shoulders, which remains the brand with the higher share of the market at 11.8%.

A few chains have used inventive methods to add the new shampoos without reducing too many sku's. James at Hook removed her dandruff shampoos and put them in their own department. Others said they cut back on hair sprays or colors.

To date, it is still to early to judge the outstanding performers. However, it is clear that the first brands out of the starting gate—Dimension, HDR, Perma Soft and Affinity—have moved well. Here's the scorecard on several of the other new brands:

- Jergen's Squeek has been "slow" to takeoff, according to one Midwest buyer. Introduced last September with a $9.2 million campaign, Squeek is directed at those with oily hair. Retailers point to problems with other oily hair-oriented brands, including Gee Your Hair Smells Terrific and For Oily Hair Only, as cause for pessimism over Squeek.
- Ivory Shampoo is currently in test market in Michigan and scoring market share figures over 4%. Chains are rubbing their hands in anticipation of getting Ivory, which they feel may challenge Flex in the lower-end price range of the market.
- Colgate-Palmolive is preparing Splendor, another popularly priced shampoo, for a national roll out. The brand was test marketed in 11 Pacific states, but buyers say they don't have much to "judge" Splendor by and are taking a wait-and-see approach.
- As far as Clairol's Essence line, retailers are inundated with sku's. Many chains including Duane Reade, Perry and Walgreens have all seven sku's, others have skimmed the brand to four.
- Conair is planning to unveil Advent by Jheri Redding, an upscale natural product. Buyers, who say professional brands get hotter every day, expect this wil' be a winner.
- And finally, Klorane, which was launched last year, continues to "quietly" grow in sales. A Duane Reade manager says Klorane is "one of my best sellers," and he attributes its success to word of mouth.

Food stores outrank drug outlets in shampoo sales

Source: A. C. Nielsen

Many of the new shampoos on the market are aimed at a specific segment of shoppers. J&J's Affinity, for example, is designed for women over 40.

Drug store buyers are skimming slow movers to make shelf space for the six major new introductions such as the seven-sku Clairol Essence line.

Chains hit mousse trail armed with ad budgets

Continued from page 55

approximately $14 million to promote Free Hold mousse, a mass market version of its Valance salon formula, L'Oreal quickly generated interest among drug retailers at the show.

Alberto-Culver soon followed with a mousse product of its own called Alberto Mousse European Styling Foam. At presstime, Culver was just breaking its $15 million print and television advertising campaign.

Unlike L'Oreal's mousse, the Culver entry is available in two formulations—normal control and extra control. Culver's mousse is sold in only one size, a 6.3-oz. canister with a suggested retail price of $3.79, while Free Hold is available in 2.5-oz. and 5-oz. containers, with suggested retails of $2.95 and $3.95.

Also hot on the mousse trail are Richardson-Vicks, which has a Vidal Sassoon mousse and Conair with its line of Jheri Redding mousse products.

Initially, industry observers said that the mousse market could grow to as much as $50 million during the first year. However, based on the early success registered by retail outlets that figure may turn out to be conservative.

While mousse has been a popular seller among men and women in Europe for some time, drug retailers are admittedly surprised at the way the new category has caught on among American consumers.

"Mousse is the biggest thing to come along in some time," said Keith Murray, a buyer at Lane Drug in Ohio. "It's even selling in Toldeo, which isn't a trendy market."

Eli Cohen, president and ceo of the 22-unit Duane Reade drug chain in New York City, said that mousse represents "the birth of a whole new category.

"Just by putting that product on display in our windows and on an endcap, we moved thousands of dozens in just a few weeks," said Cohen. "It was the best new product I've seen in 20 years."

In fact, where to merchandise mousse may prove to be the biggest problem drug retailers face with this burgeoning category. When drug chains first received shipments of L'Oreal's Free Hold, retailers merchandised the product on floor stands in the hair care department. Endcaps were also popular locations and chains such as Walgreens put mousse in dump displays in its fragrance sections.

As chains have begun to move the new product to shelf locations, mousse has appeared alongside setting gels, near shampoos and conditioners and adjacent to hair sprays.

At K&B drug stores in New Orleans, La., and at the Indianapolis, Ind.-based Hook Drugs, where buyer Helen James sees the product as having more of an appeal to young buyers, mousse has been placed at a 4-ft. section near hair setting gels.

Finding room on the shelf for the mousse products has become more of a problem for drug chains as new mousse entries have hit the market. While most chains have taken on the L'Oreal, Culver and Sassoon versions, there has been some resistance on the part of buyers to carry the full line of Jheri Redding mousse.

Some buyers have privately questioned the need for a chocolate mousse for brunettes, a strawberry flavor for auburn hair, lemon for blondes and a neutral, which can be applied on any color hair.

"We have the neutral Jheri Redding," said a buyer for a major drug chain based in the South. "I didn't want the flavors. I don't want to see some kid eating it by mistake. If people drank sunlight [a new dish washing detergent mailed to sample homes], imagine what will happen with chocolate mousse."

Generally, retailers have said that the narrow cylindrical containers of mousse have been less of a problem to fit on shelves than the numerous shampoos that have been introduced during the past year.

"Prior to this a few years back we had an infusion of new hair sprays," said Bob Layne, a buyer at Wellby Super Drug in Portland, Me. "Now that was a killer."

Layne, like many of his fellow buyers, said it is still too early to tell if mousse will steal from hair sprays and gels. "It really hasn't been around long enough to measure."

But Layne is certain that mousse is here to stay. "It's a permanent category in Europe," he pointed out, "and I think it will settle down to be a stable category here. L'Oreal will make sure of that."

Mousse is characterized by drug chains as "one of the most exciting new categories" to emerge in the past few years. L'Oreal's Free Hold mousse is credited with breaking open the business.

MERCHANDISER

Drug store share slips in perms, colors, sprays

Slowly but surely, food stores and mass merchandisers are nibbling away at the drug store's market share in the four categories that round out the $3 billion hair care category.

The categories—perms, colors, hair sprays and accessories—were once totally dominated by drug chains. However, other retailers have taken aggressive positions in these categories and have grabbed away some market points. Following are the current trends in each of these important category areas:

Hair color: The aging of America portends well for the $500 million hair care business. That comes as good news to retailers who report sales have been sluggish over the past few years. Growth has inched up only 3% in units per year and only about 25% to 35% of today's women color their hair.

But retailers hope that as the total number of women over 40 approaches 50 million by 1990, hair color sales will blossom.

Manufacturers are already anticipating the activity. Jhirmack is readying a new color product for national rollout and Clairol has signed Dynasty's Linda Evans as a spokesman for its brands.

According to a Clairol representative, space and selection are the two keys to selling hair color. It has been drug outlets' willingness to devote almost 70 ft. to hair color that has gained them 61% of the market. "However," the source added, "drug operators haven't made their departments any larger since 1978, while supers have increased from 9 ft. to 13 ft."

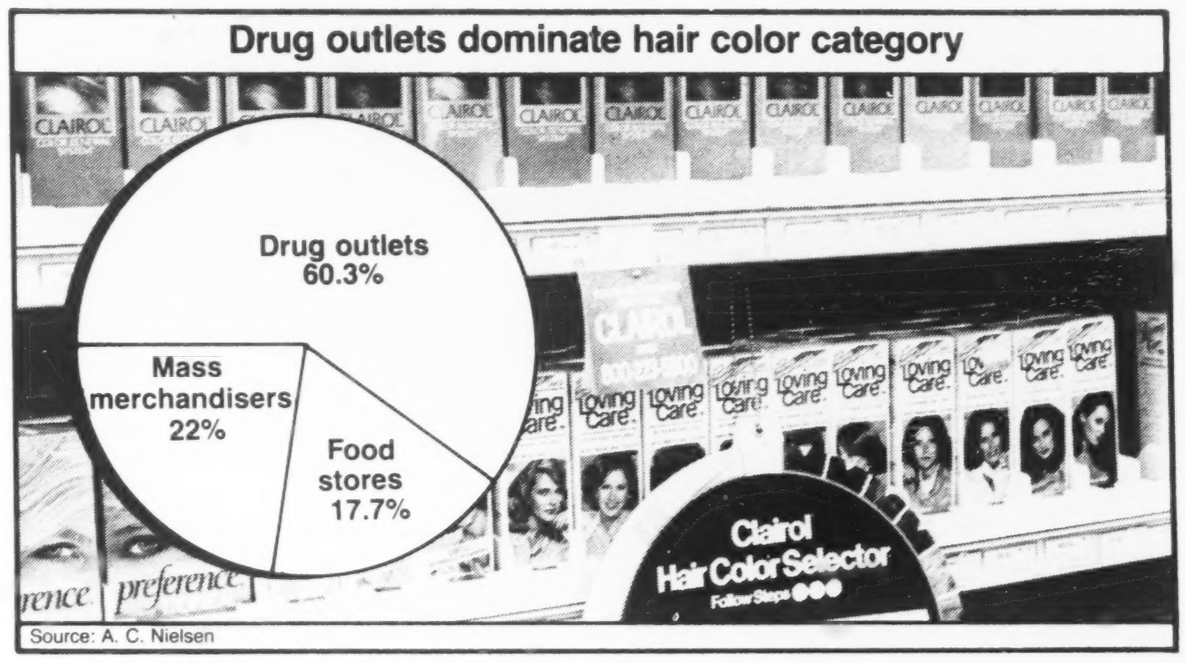
He also feels giant combos are heating up the battle in hair color because "they have the traffic and the selection." This source predicts drug outlets' color gains for 1983 will only be 2% vs. a hefty 12% for food outlets and 11% for mass merchants.

Drug retailers contacted by *Drug Store News*, claimed they're preserving their business by promoting color in more ads, including education at point-of-purchase and staying in stock on the hottest colors. "If a customer can't find her color," a buyer said, "she'll leave the store and take her other health and beauty aid business with her."

The current best sellers include Nice 'n Easy, Preference, Miss Clairol and Loving Care. Market share by vendors breaks down this way: Clairol 62.3%, L'Oreal 16.9% and all others 20.8%.

Hair perms: Four years ago, home perming was at its peak, and drug stores commanded an impressive 60.5% market share. Now the perm business has leveled at the same time, drug stores lost almost five percentage points.

Last year, Clairol debuted a semi-permanent "perm" that allowed a customer to test a perm that could be washed out. The goal was to bring in new users and Clairol cleverly placed a coupon for its Kindness perm in each of the Party



Perm boxes. Although drug chains liked the product, it didn't move as well as expected. Furthermore, there are no other new product slated for introduction into this category, leaving buyers still cautious about 1984. The current best movers include Ogilvie, Rave, Toni and Lilt.

Hair Sprays: Following the introduction of mousse, buyers braced for a downturn in the $420 million hair spray market. However, as mousse began to move, buyers saw no change in sprays. The fact is that mousse seems to cannibalize gels rather than sprays.

"It's a different user," explained Hook's Helen James.

If anything, buyers say, hair sprays continue on a growth spurt, with 1983 sales up a projected 25% throughout all outlets. The success of the category enticed Helene Curtis to extend its popular Finesse brand with a hair spray which buyers say is moving "briskly."

The current fastest sellers and last year's best performers were Aqua Net, Final Net, Miss Breck and Jhirmack.

Hair accessories: Once dominated by Goody, other hair accessory manufacturers are taking a stab at the $500 million business. Sales rose about 10% last year, with drug stores accounting for about 30% of the business and food stores 31%. Among the companies increasing stakes in accessories are Wilson's Wilhold brand and Tip Top.

Candie's: in search of the teen 'mall bunny'

DuCair Bioessence is out hunting mall bunnies.

What's a mall bunny and why is DuCair interested? A mall bunny, according to DuCair's president, Howard Hirsch, is a teenage girl with a hefty allowance who prowls malls (and strip centers) searching for new and fashionable goods. Hirsch is interested in gaining this customer with DuCair's new Candie's cosmetics line, which it recently acquired from Helena Rubinstein investors.

Faye Brookman
COSMETICALLY SPEAKING

The Candie's line, he says, is perfect for this customer and fills a niche in the market. Drug stores are a perfect outlet for Candie's because teen girls tend to purchase most of their cosmetics products in drug stores.

That's why one of DuCair's top priorities in drug stores is to regain its former position which had faltered after the former owners pulled back some of their support for Candie's.

"We're trying to get back to Candie's phase I when it was introduced to chains," Hirsch told *Drug Store News*. Indeed, Candie's had a successful launch last year and has the potential—via its strong licensed name—to do gangbusters in drug stores. As proof, consider the $400 million worth of Candie's shoes sold through department stores last year.

DuCair will market Candie's via a new affiliate company called Lifestyle Cosmetics. All Candie's representatives have been retained, including Roger Lewis, national sales manager. He'll report to DuCair's Bob Farrell. Val Formica will serve as marketing director. DuCair's challenge will be to prove it can run a year-round color business as successfully as it operates the Strawberry Shortcake line.

The company will also be put to the test to see if it can revive Candie's. Hirsch promises more creative promotions and increased advertising (that's in addition to the $8 million spent on brand awareness TV ads by Candie's licensees). He also says he'll rectify past mistakes.

"For example," he says, "last year they shipped Christmas prepacks with 144 pieces—that's too heavy. We'll address the prepack size problem." New color promotions will be scheduled and a fragrance will debut later this year.

Candie's is indeed a well-known brand and can help catch young shoppers. Why not catch a mall bunny today?

"There's an interesting item on my desk right now," said one chain drug buyer when asked if she'd seen anything new. She was referring to Swiss Spa Products Inc.'s new Custom Color: Create Your Own Nail Enamel Kit. This is a new product with four nail colors and a chart showing how to develop over 30 colors. Bill Stewart, formerly of Jovan, is sr. vp of Swiss Spa Products.

On to Christmas 1984 . . . buyers are currently viewing vendors' offerings for this Yule. To date, many have expressed interest in Houbigant's Lutece. One buyer called it "the most exciting new thing I've seen." Lutece has an oriental look with a sapphire and gold package. It will probably go head-to-head with Charles of the Ritz's new Forever Krystle. Forever Krystle is tied in with the popular Dynasty TV program, which features a character named Krystle Carrington. Forever Krystle will retail for about $9 for the eau de toilette, while the Lutece version will be slightly less expensive at $7.50.

* * *

Interactive cable TV is coming to the cosmetics business . . . Warner Cosmetics will begin promoting its Ralph Lauren makeup on Qube via half-hour shows running for two weeks in four markets. The program will feature demonstrations of Lauren cosmetics and will offer viewers a complimentary makeover using Lauren products at a participating store. Viewers will be invited to press the Qube consoles to request the makeover. Participating stores are Lazarus, Pogue's, Kaufman's and Neiman-Marcus. The Qube system provides Warner with a potential audience of close to 300,000 households.

Warner will debut five new Vanderbilt items this fall. There will be a rich lathering body shampoo and body silk, a body creme, a body spray and a soap.

* * *

Other new items include: Aziza's new Color Fix tagged as the first eye color primer to more than double eye shadow wear time for a crease-proof look. Following Arden's success with Lip Fix, Aziza looked to its R&D department to devise something for eyes, and this is its entry. The suggested retail for a 0.68-oz. tube is $5.

Sashiba's new stick-on nail jewelry was on display at the Chain Drug Stores Housewares Exposition and caught the attention of a host of chains. The stickers peel off and a customer can stick them onto her nails. Chains already slated for the stickers include Walgreens and Dart.

And, Regency Cosmetics is introducing Tawanna, a "provocative" fragrance that will retail at $7 and up. Eckerd is among the chains slated to feature Tawanna.

Special report on ethnic products

Rising population, new items fuel ethnic market

Black-oriented mix expands to toiletries, apparel

With the ethnic health and beauty aids market growing at a dramatic 15% to 20% annually, drug chains and high volume independents are starting to enrich their ethnic mix.

Many retailers are expanding their existing departments to include a wide variety of personal care needs such as skin creams, hair colorings, pantyhose and soap in addition to the traditional high turning hair care needs.

At least one chain, Walgreens, has acknowleged the need to expand into broader products by changing the title of its ethnic H&BA buyer, Rich Robinson, to buyer of black trade products.

Other chains are starting to advertise ethnic H&BA more frequently and to give them more endcap space inside the stores. Hook's Drug in Indianapolis has started to bring consultants into its stores to answer shoppers' questions.

To Lafayette Jones, executive director of the American Health and Beauty Aids Institute, this growing aggressiveness on the part of drug store retailers "signals expansion and the recognition of the needs of black shoppers." Jones says he sees an "improved effort" on the part of many drug chains to make their shoppers aware of their ethnic sections.

Retailers, on their part, report that the more attention they pay this category, the more it pays off. One West Coast chain is currently pumping out over $1 million a year in some of its ethnic departments. Revco's ethnic sales are ahead of toothpaste sales—$14 million in 1982 compared to $11 million for toothpaste. Even smaller chains are doing well with this category: Drug King, a 20-unit chain based in California, is currently ordering between $6,000 and $9,000 worth of merchandise every three weeks to keep up with demand.

According to industry statistics, drug chains and high volume independents are currently capturing about 45% of the $1.5 billion ethnic hair care category and the numbers are growing. About half the category's current sales are in hair care products, traditionally the backbone of a typical drug store ethnic department.

What fuels this department is a combination of a swelling ethnic population, increased incomes and the introduction of new in-demand ethnic items. Blacks, who currently represent 12% of the American population, have a distinctive need for hair and skin care products formulated just for them.

It wasn't until the 1960's that the first black hair care products appeared on the mass market, but the real explosion came in the 1970's with the introduction of the California curl. That one look necessitated the purchase of a barrage of supplemental products.

In less than five years, the curl style created a market of $143 million in activator sales and $79 million in kit sales (see related story on p. 64), according to Business Trends Analysts.

Now the curl product category is stabilizing, however, leaving future growth to come primarily from the following areas:

Continued on page 62

Blacks and Hispanics represent two of the fastest-growing categories for chain drug stores. Sales to black consumers are up 15% to 20% while chains are experiencing a 10% jump in Hispanic traffic.

The ethnic category is growing at a compound growth rate of 10.8% compared to only 7.9% yearly for all general market toiletries and cosmetics.

Inside Special Report

64 • Fashion expert forecasts black hair trends
66 • Most chains get ethnic products through distributors
69 • Top selling ethnic products

Hispanic market continues rapid growth pattern

According to figures compiled for the 1980 census, there are currently more than 14.6 million Hispanics living legally in this country, a 61% increase over the decade of the 70's.

In addition, Government sources estimate that there are another six to eight million Hispanics living in this country illegally.

Because of this population's high birth rate and an increasing level of immigration, the Hispanic market is expected to grow at a rate some 6.5% faster than the population at large.

Drug chains are translating their ads into Spanish to tap into the $60 billion Hispanic market.

Hispanics are particularly expected to congregate in markets where they already have a presence—such cities as New York, Los Angeles, San Francisco, San Antonio, Denver and Miami.

Because many Hispanics are "upwardly mobile," this market holds a particular fascination for drug store retailers, and many top chains are now stepping up their efforts to court these shoppers.

Eckerd, for instance, is now advertising in Spanish in its Florida markets. Walgreens, Revco and Gray are using spinner racks to call attention to new lines like the popular Que Guapa.

Suppliers, like Judith Lynn and Ben Sheftall, are creating new planograms designed to show retailers how best to move product and court shoppers in this growth category. They are encouraging retailers to stock more of the specialized products, like toiletries, that Hispanics traditionally search for.

"You need to carry products Hispanics are familiar with," says Lou Orenstein of Judith Lynn.

"You have to tailor your mix," says Richard Eichholz of Ben Sheftall. There are at least four distinct groups into which a Hispanic shopper can be cataloged, and each group has its own unique differences, he said.

"What sells in Miami doesn't always sell in Atlanta," points out Eichholz.

Retailers themselves are saying they

Continued on page 62

Special report on ethnic products

Chains expand ethnic mix in growing market

Continued from page 61

Hair Color: Hair colorings are a dynamic category for retailers. The black consumer is currently spending an estimated $50 million a year on ethnic hair colors. According to research from Carson Products, as many as 25% of all black females color their hair. Their research also shows that 85% of all shoppers who buy a hair coloring continue to repurchase it in frequencies ranging from a purchase once every two to six months.

"The influence of Europe has caused many women to go lighter with their hair," says Joe Atkinson of Carson Products. Carson, which just introduced three new light shades, hopes to generate sales from shoppers who didn't buy before because the colors were too dark.

Buyers for drug chains are saying they expect the new colorings to add at least 10% to hair color sales. They also report that positioning ethnic hair coloring products in the hair coloring section rather than in the ethnic hair care section can increase sales as much as 20%.

"When you go shopping for hair color, you look where there are other hair colorings, not in hair care," says Atkinson. Revco, Walgreens and K mart, among others, are now adopting this strategy.

Skin creams: According to Business Trends Analysts, blacks use skin creams more frequently than whites because they tend to have drier skin. One popular seller right now, according to several buyers, is Soft Sheen's Cocoa Creme Butter, a deep moisturizing cream.

Cosmetics: Ethnic cosmetics are showing signs of life, according to a recent survey of ethnic suppliers. Yet buyers think that the real potential of this section won't emerge until manufacturers come up with more products better tailored to the black woman's needs.

According to Business Trends Analysts, less than half of the $348 million that blacks are expected to spend on cosmetics will go to ethnic products. The report concludes that the lower sales do not reflect a lack of demand, but instead "inadequate availability" of good products.

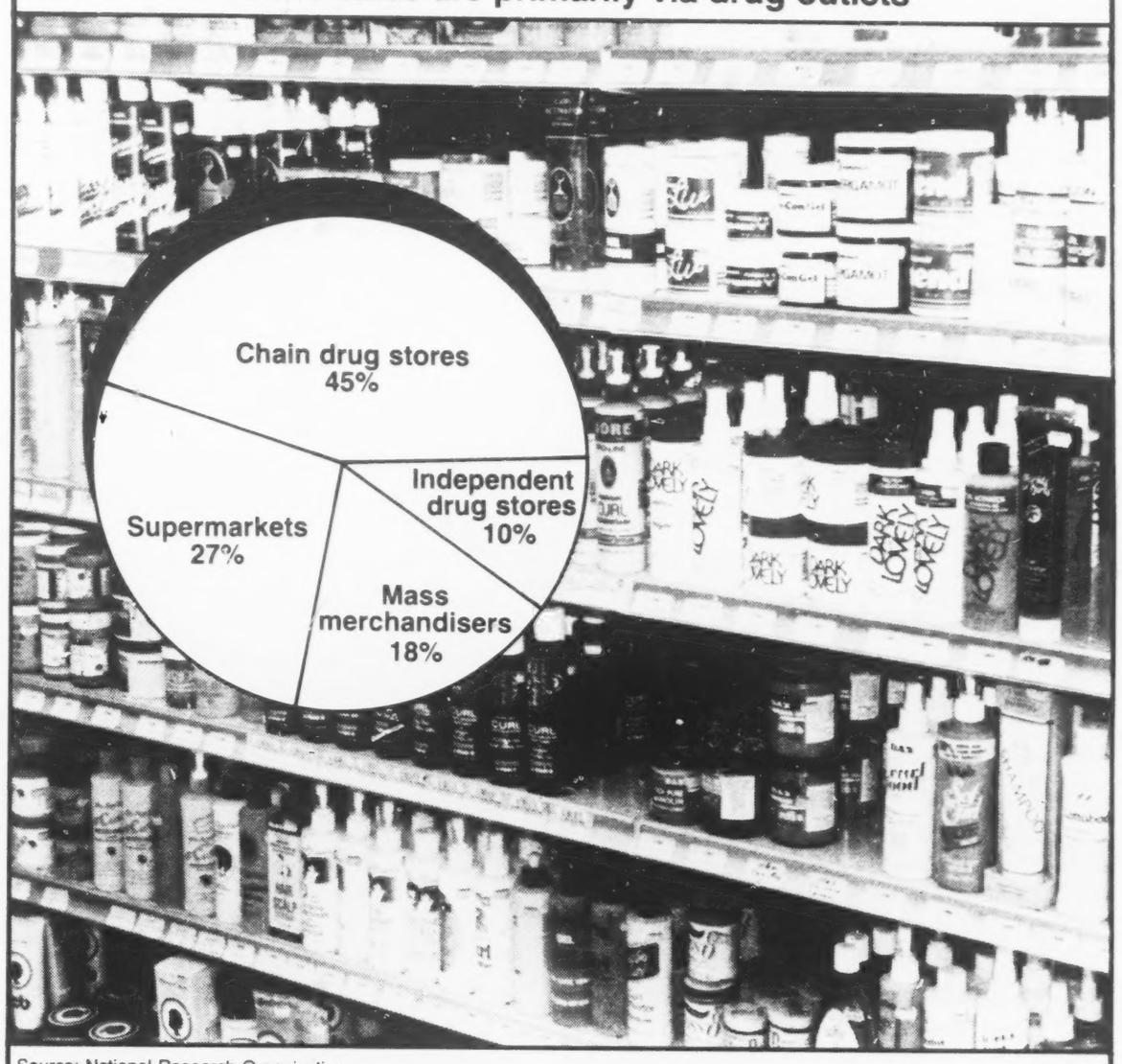
Fragrances: According to Helen James, the buyer for ethnic products at Hook Drug, prestige fragrances move very well in black markets. However manufacturers have not yet started to exploit this trend. To date, just Prince Matchabelli, MEM and Coty are advertising their specially formulated scents in the black media. Still, according to Business Trends Analysts, blacks will spend over $247 million on fragrances annually and their per capita spending is 10% above the national average.

Other items: "I'd rather put black pantyhose into the planogram than cosmetics," said one distributor referring to the overwhelming success of black oriented hose. Brands such as Afrotique have won over shoppers because of their special fit and colors aimed at the market.

Blacks use proportionately less shaving preparations than other races. But, because a 65% share of black men suffer from pseudofolliculitis, or razor bumps, there is a growing need for shaving powders. Here again, drug chains report greater success by merchandising powders with shaving items rather than in the ethnic department.

In the next decade, manufacturers' sales of toiletries and cosmetics consumed by blacks will rise from $2 million in 1983 to $5.6 million in 1993, according to Business Trends Analysts. This represents a compound annual growth of 10.8% in sales, significantly higher than the 7.9% rate for all toiletries and cosmetics.

Ethnic sales are primarily via drug outlets



Source: National Research Organization

Drug chains are reporting increased sales of not only ethnic hair care items, but facial creams, pantyhose and soaps as well.

Ethnic cosmetics are starting to move in some chains who have devoted adequate space. According to Business Trends Analysts, there is definitely a need for specialized cosmetics.

Special report on ethnic products

Today's black women seek hair styling variety

By Rose Porper

Because black women in the 80's seem to want to experiment with a wide variety of beauty images, fashion consultants are advising retailers who feature ethnic products to carry a broad product line.

Today, fashion writers point out, there are a number of black "looks" sweeping the nation, ranging from the sophisticated and glamourous to the trendy and career minded.

"Retailers should carry products that address every need," says Angela de Joseph, president of Adj Enterprises, a Chicago-based image consultant firm and editor of *Sophisticate's Black Hair Styles and Care Guide*. And, of course, they should adjust their merchandise mix to cater to the needs of the black shopper in their particular community, she added.

In terms of hair style trends, she points out that relaxed, straight hair styles are back and that means there should be a jump in relaxer sales this year. "Hair is being swept up and away from the face in high sculpted 'antihead' forms requiring setting gels and mousse to hold the shape," she said. De Joseph advises retailers to stock up on no-lye relaxers, conditioning relaxers, hair setting gels and conditioners made for relaxed hair. "I'd strongly suggest limiting the number of curl maintenance products to those that accompany a kit and the leading brands."

Younger shoppers in blue-collar groupings will generally prefer the "trendy" look perceived by consumers as a curly or wavy style and popularized by singer Michael Jackson. Says De Joseph, "Urban black males will make the switch from curly perms to style kits that deliver waves, curls and manageability without the use of rollers. There will still be a growth in the curl area, but only in the South and more rural areas."

Mikki Garth, beauty editor for *Essence* magazine, thinks that retailers can also expect to see an upsurge of mousse sales in the ethnic hair care category.

She points out that mousse can be used to create different looks because it "adds versatility" to black hair. It will probably surplant gels because it has "a less tacky finish," she adds.

Garth advises retailers to stock at least five or six types of instant conditioners because it's important to meet the needs of different hair types. She also anticipates an increase in sales of temporary hair colors, and she cites Clairol's Color Renewal System as a particularly good brand to carry.

Garth recommends retailers carry the best-selling brands and full lines within those brands. "If a shopper uses Revlon, she'll use all their items," she says.

She also warns that if drug stores don't carry full lines, their shoppers may desert them for department stores where full lines are readily available.

Drug store retailers may also be underestimating the price points they can carry with black health and beauty aids products, Garth says. "Black shoppers are concerned with quality and will pay twice as much for a product if they believe it works."

In other health and beauty care areas, Garth sees opportunity in facial moisturizers. "People are realizing that even oily skin needs moisturizers."

According to a recent *Essence* study, blacks tend to be twice as likely as whites to be heavy users of bath/shower additives for total skin care treatment.

"Black shoppers are concerned with quality and will pay twice as much for a product if they believe it works," says Mikki Garth, beauty editor at *Essence*.

"Black hair goes straight, sculpted and sophisticated this fall," says Angela de Joseph, editor-in-chief of *Sophisticate's Black Hair Styles and Care Guide*, a publication directed at black women—prime purchasers of ethnic H&BA items. Sophisticate's black hair fall collection.

Sales of curl kits flatten, but look remains a staple

There's no denying that the California Curl look is flattening out in most retail markets. The curl, which was the impetus behind hefty ethnic hair care sales increases, is giving way to the wave or a short and sculpted look.

"The curl market just is not what it once was," reported Jerry Davis, president of Paul Sundries Inc., a distributor who services Longs, Sav-On, Pay 'n Save, Pay Less and Drug King. "Pomades are starting to sell better."

Richard M. Eichholz, president of Ben Sheftali Distribution, agrees. "We have seen the wave become stronger. Hair is shorter and the biggest thing we've seen are the no-lye relaxers."

However, despite a slackening in sales, retailers report that curl products still move, especially in certain geographical locations.

The South, for example, still has a higher percentage of sales of curl kits, according to sources at Begley, Taylor and Eckerd.

Added Kirk Bright of Bright Distributing, "These items may have reached a plateau, but sales have not slackened at all."

One Southern-based retailer said he doesn't feel the style will ever die out because "women would have to keep cutting their hair off and that's expensive. We just won't see the same 20% to 30% sales gains." Many believe the curl will eventually become just another alternative hair style.

Presently most retailers are leaving shelf space for curl kits and maintenance items intact. However, additional space is being cleared for the new gels, mousse items, setting lotions and no-lye relaxers that are gaining in popularity. Carson, for example, just launched a new upscale no-lye relaxer called Excelle, and many chains plan to carry this new entry.

The AHBAI, which has tracked both unit and dollar sales to help determine how much shelf space each category should receive, found that in 1982 conditioners and hair dressings produced 47% of unit sales and 29% of dollar sales; blow out cremes and relaxers garnered 11% of units and 21% of dollars; curl activators, 17% of units, 20% dollars; comb easy lotions, 17% units, 17% dollars, and hair spray sheens, 3% units, 2% dollars.

Drug chains report a slowdown in sales of products used to get the curl look.

Special report on ethnic products

Most chains buy ethnic items from distributors

Although several major chains have brought their ethnic buying duties in house, the majority of drug chains still rely on outside sources to supply ethnic items.

That's the conclusion of a telephone survey of 25 of the top chain drug stores who also said they don't expect to revamp their buying strategies within the next three years.

Only 24% of those contacted by *Drug Store News* replied that they buy the items internally. In most cases, these were chains like Peoples and Walgreens with ethnic departments in many stores. Same chains, such as SupeRx, reported that they combine both direct service with "fill in" supplies from distributors.

Only about 2% of those contacted expressed interest in changing from an outside source to direct. There were a few, however, who expressed concern over the product selection and service of suppliers. "We get five good items and five dogs," replied one source. Another added, "We can get a better profit and benefit from co-op ads by going direct."

However, most chains still feel that the market changes too fast, making it too hard to buy internally, "We bring 90% of our merchandise through the warehouse, but we use a wholesaler to select the items," explained Hook's Helen James.

The suppliers most mentioned include:

Chain drug stores are increasing their commitment to the ethnic category with the average department now about 8 ft.

- Judith Lynn Supplies based in Bensenville, Ill., and serving chains including Thrift and Osco.
- Beauty Enterprises based in Hartford, Conn., with customers including CVS, Adams, Medi Mart and Fay's.
- Ben Sheftall Distributing in Savannah, Ga., which services many chains including Eckerd, Gray and SupeRx;
- Standard Drug Supply in Detroit who supplies Arbor, Apex, Sentry and Perry.
- Bright Distributing Co., a Louisville, Ky.-based source to Taylor, Begley, Hook and Zayre.
- Paul Sundries, a large West Coast source to Longs, Sav-On, Pay 'n Save, Pay Less and Drug King.
- Jack's Service Company, an Oklahoma City, Okla.-based company serving various chains throughout the country.
- North Avenue Beauty Supply, a Baltimore-based source.

The *DrSN* survey determined that most chains now carry an average department of 8 ft. of ethnic supplies, but plan to expand that space during 1984.

Those contacted said their major threat is the growing emphasis mass merchandisers, beauty and barber and food stores are placing on this category which yields attractive gross margins of 45% and up. Drug outlets currently control about 45% of all sales, although suppliers have pointed to a slight erosion of that share by food units and mass merchants.

"Drug stores don't have the discipline food stores do," explained Eichholz. "That results in frequent out-of-stocks. But, if you go to a supermarket and they're out of milk, you'll go elsewhere. It's the same with ethnic shoppers."

Therefore, the challenge for drug chains has been to arrest their out-of-stock situation which often ranges as high as 15%.

"We've already seen chains lose business to beauty and barber and military outlets," explained Jones at the American Health and Beauty Aids Institute.

One chain the AHBAI credits with building and maintaining its business is SupeRx who recently received the organizations award for "Excellence in Leadership." SupeRx becomes the second drug chain to take the honors; Revco won last year. SupeRx was in good company with Supermarkets General (Pathmark), which copped honors in food and Woolworth's who was awarded in the mass division during a recent AHBAI conference.

Bilingual ads woo growing Hispanic population

Continued from page 61

must get more aggressive in reaching out to this market. A Walgreens source, who points out that 60% of Hispanic women can't read English, asks, "How can you sell them if you can't reach them?"

Like Eckerd, Walgreens is also translating many of its radio and newspaper ads into Spanish.

Manufacturers are also lending their support to courting this market by sponsoring advertising campaigns featuring Hispanic spokesmen. Procter & Gamble, for instance, uses the rock group Menudo to promote Crest while Glenbrook Labs uses soccer star Pele for Panadol.

Yet, despite the stepped up marketing efforts, some chains are playing it cautious. "We don't feel it would be meaningful in our market," explained one Midwest source.

Another buyer agreed, "We're not sure Hispanics have special needs like blacks have for their hair." These chains are taking a wait-and-see attitude before adding Hispanic lines.

Kent Humphreys of Jack's Service Company said he is testing programs in some chains. He believes that bilingual packaging is more important than specialized products.

But even bilingual packaging can vary by region because of the fragmented Hispanic population. Within the distinct groups are language variations. "One word means one thing to a Mexican, but it might be something obscene to a Cuban," pointed out one source.

The principal groups are Mexicans who make up 60% of the United States Hispanic population, Puerto Ricans with 15%, Cubans with 7% and the remaining 18% comes from all other Hispanic countries. All have varying needs in addition to different languages. Mexicans, for example, have straight hair and bronze skin while Puerto Ricans have kinky hair common to blacks.

"That's why it's important to know your market," claimed a Walgreens' cosmetics supervisor. "I tailor my promotions and ads to what I know are my customers. . . . The Hispanic business is booming and I wouldn't miss out on it for the world."

U.S. markets with high Hispanic penetration

Metro area	Hispanic % over age 12
McAllen-Brownsville	86.2
El Paso	63.5
Corpus Christi	47.8
San Antonio	44.5
Miami/Dade County	41.3
Albuquerque	32.4
Los Angeles	30.0
Fresno	26.3
Salinas/Monterey	24.7
New York	20.0
Tucson	18.6
Sacramento/Stockton	17.3
Phoenix	16.7
San Diego	15.0
Houston/Galveston	14.4
Denver	11.5
San Francisco	14.0
Dallas/Fort Worth	9.0
Chicago	7.6

Source: Strategy Research

Key facts about the $60 billion Hispanic market

- There are currently over 22 million Hispanics living in the United States: 15 million legal residents and some six to eight million "illegal residents."

The Hispanic population is currently growing 6.5 times faster than the general public.

- If the Hispanic population continues to grow at its current rate, it will reach 40 million people by 1990, and it will become the nation's dominant minority group.
- Ninety per cent of all United States Hispanics speak Spanish.
- Sixty-three per cent of all United States Hispanics consider Spanish their only effective means of communication with other Hispanics.
- Forty-three per cent of all United States Hispanics only speak enough English to "get by."
- Sixty-three per cent of all United States Hispanics say the Spanish media is either "extremely or very important" to them.
- Seventy per cent of all United States Hispanics watch, listen to or read Spanish media.
- Hispanics show a greater interest than most Americans in quality product and name brands.

Source: Marketing & Media Decisions and Skelly & White Inc.

Special report on ethnic products

Curl look items still dominate ethnic top sellers

Products used to maintain the curl look continue to dominate the list of top selling ethnic items, according to a recently released list from Judith Lynn Sales. However, hair dressings and pomades are picking up steam as blacks aim for a controlled and sculpted look.

Based on sales, vendors suggest the following space allocations: 10% for hair and scalp products, 10% for creme activators, 8% for moisturizers, 8% for nonaerosol sprays, 8% for gel activators, 5% for spray activators, 5% for no-lye relaxers and 3% for curl kits.

In terms of price, the average unit price has risen to $3.87. According to A. C. Nielsen, unit prices in drug stores are higher than those in food and mass merchandise outlets. The average in food is $3.11 and for mass merchants, $3.75.

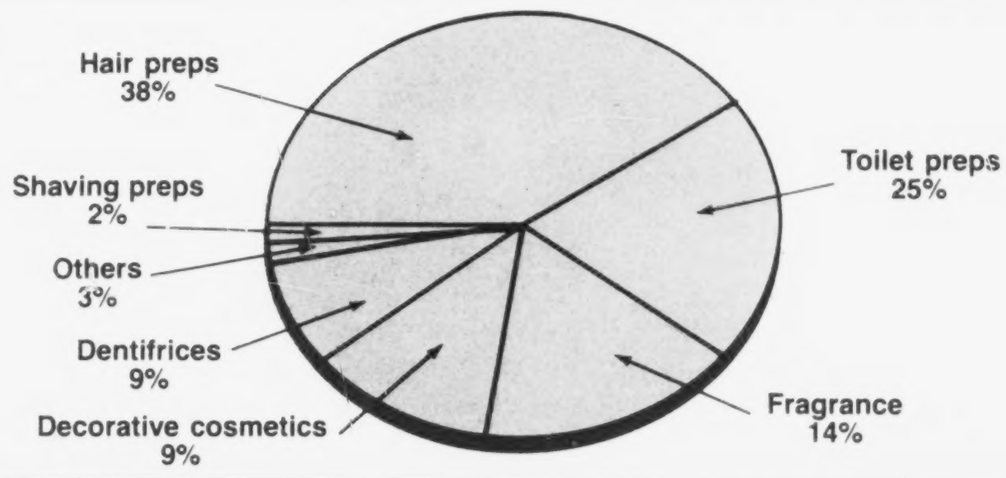
The ethnic market is targeted to hit an all time high of $2 billion this year.

Top selling ethnic products

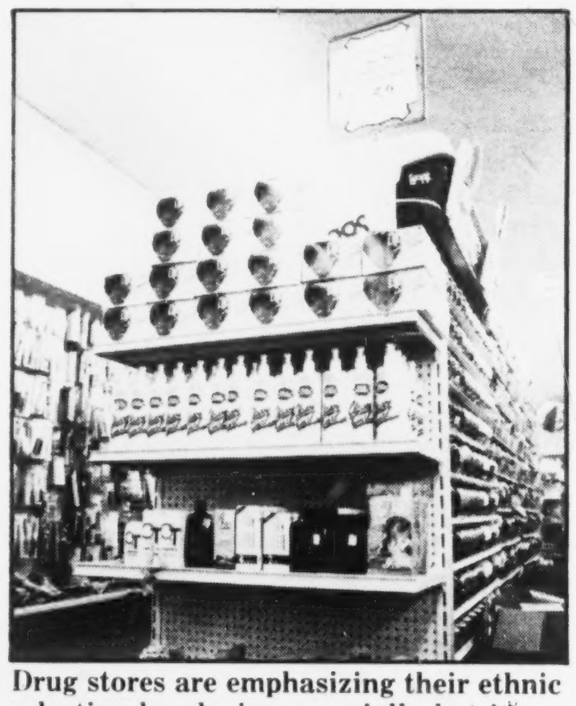
1. Soft Sheen Carefree, 8-oz. moisturizer
2. Soft Sheen Carefree, 8-oz. activator
3. Sta-Sof-Fro N/A, 8-oz. extra dry
4. Ultra-Sheen Condition Hair/Dress, reg. 2 oz.
5. Royal Crown Hair Dress, 5 oz.
6. Magic Shave Powder Gold, 5 oz.
7. Magic Shave Powder Blue, 5 oz.
8. Murray Pomade, 3 oz.
9. Ultra-Sheen Condition Hair/Dress, 8 oz.
10. Dark & Lovely Cream Relaxer Kit
11. Soft Sheen Carefree, 16-oz. moisturizer
12. Luster S-Curl Act/Moisturizer, 8-oz. reg.
13. Sta-Sof-Fro N/A, 8-oz. reg.
14. Queens Bergamot, 5 oz.
15. Soft Sheen Carefree, 12-oz. moisturizer
16. Hair Rep, 4 oz.
17. Magic Shave Powder Red, 5 oz.
18. Ultra-Sheen Condition Hair/Dress Dry, 2 oz.
19. Soft Sheen Carefree, 6-oz. natural gel
20. Blue Magic Conditioner, 12 oz.
21. Soft Sheen Carefree, 4-oz. wave activator
22. Posner Bergamot, 3.5 oz.
23. Sta-Sof-Fro N/A, 16-oz. extra dry
24. Blue Magic Bergamot, 12 oz.
25. Gentle Treatment Cream Relaxer Kit

Source: Judith Lynn Sales Inc.

Product mix of items used by blacks



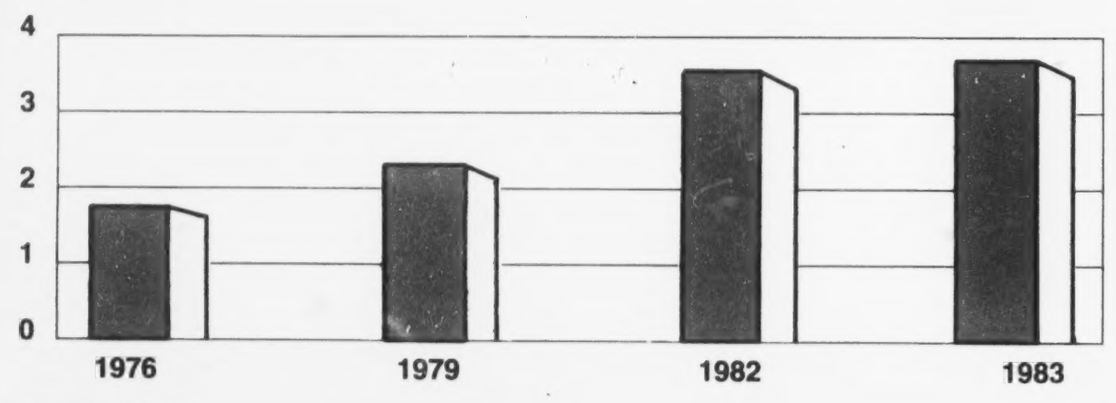
Source: Business Trend Analysts



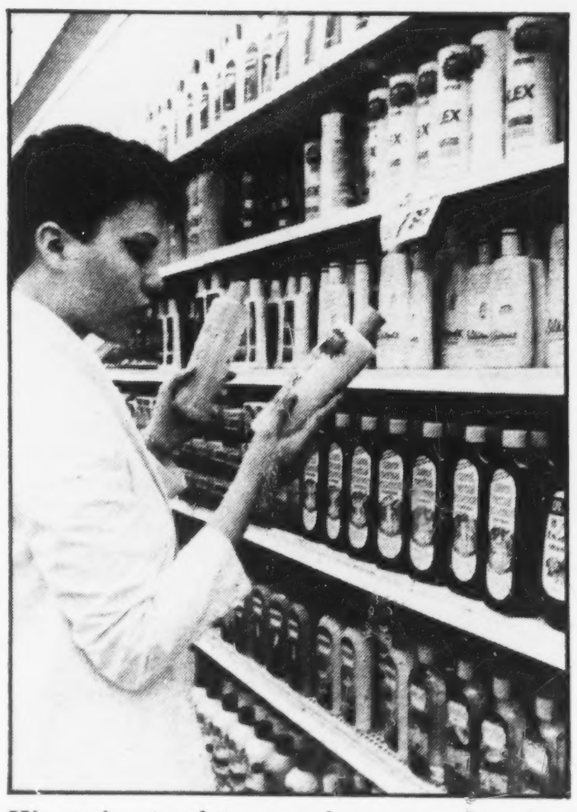
Drug stores are emphasizing their ethnic selection by placing especially hot items on endcaps.

Black shoppers prefer to find black cosmetics merchandised with other brands rather than a separate department.

Average unit price for ethnic hair care sold in drug stores



Source: A. C. Nielsen



Hispanics tend to spend more and to be more brand loyal than Caucasian shoppers.

Blacks not only spend a hefty amount on black hair care items, but also proportionally buy more health and beauty aids.

PHARMACY
Rx ads get cool reception at D.C. meet
—p. 13

MERCHANDISER
Media attention adds muscle to calcium sales
—p.35

DRUG STORE NEWS

Vol. 6 No. 12 | **Serving the Retail Drug Store Industry for 55 years** Published by Lebhar-Friedman Inc. | May 28, 1984

New York City's Manhattan Eyeland, a 20,000-sq.-ft. super optical center, offers hundreds of styles of frames ranging in price from $20 to $32,000.

10,000-sq.-ft. superstore to open

Eckerd raises eyecare sights to include megaoptical unit

By Gail Appleson

CLEARWATER, Fla.—The Jack Eckerd Corp., an 11-year veteran of the eye care business, is taking its expertise one step further with a plunge into the optical department store market.

According to industry sources, Eckerd Optical will open a 10,000-sq.-ft. super store, called Vision Works, in Clearwater's Sunshine Mall this summer. Eckerd is also considering other sites.

The Eckerd store will be part of a new breed of vision centers, called megastores or megaopticals, that range between 6,000 and 22,000 sq. ft. and offer several hundred styles of frames and as many lenses. Currently there are about 20 of these centers, all less than a few years old.

In fact, one of these stores is in the Miami market. Eyeworld, a 22,000-sq.-ft. center owned by the Detroit-based D.O.C. Optics Corp., opened in Hialeah in January.

It's not surprising that Eckerd should once again be on the forefront of successful developments in the optical business. The drug chain made its mark in 1973 when it acquired two optical centers in the west coast of Florida. Today the chain has about 150 centers, most of which are inside drug stores.

Opticians in Eckerd Optical Centers fill prescriptions for eyeglasses and offer full lines of standard and fashion frames. More comprehensive vision care is offered by independent professional optometrists at 40 centers. Eckerd also has three labs where eyeglass lenses are edged and fitted into frames.

Industry observers said that Eckerd's decision to open this type of optical center is part of the national trend toward corporate ownership of the abundantly stocked, full service megastores where lenses are made, as opposed to individually owned stores where lens work is often sent elsewhere.

For example, Quaker Oats—the diversified holding company primarily known for its cereal products—last year entered the eye care business by paying some $10 million for an eyewear chain called Eyelab, with stores in New York and New Jersey. Eyelab started the mega trend

Continued on page 51

Medicare-Glaser: Walgreens Rx ads confuse shoppers

By Liz Parks

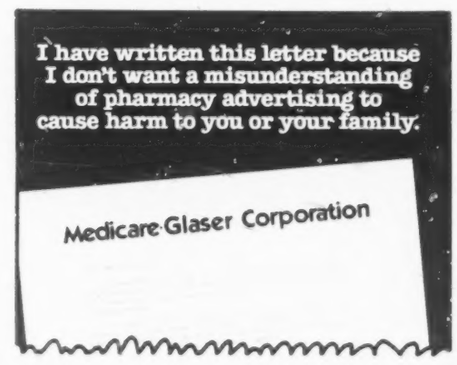
ST. LOUIS—Medicare-Glaser has begun warning consumers in its metro St. Louis markets that Walgreens television ads stressing the added security of their Intercom Pharmacy Computer System could be dangerously misconstrued.

The warnings, which come in the form of full page open letters published in three major area newspapers under president Harlan Steinbaum's signature, are an attempt to offset what Steinbaum and other Medicare-Glaser executives describe in their letter as "advertising that is creating a dangerous misunderstanding."

Steinbaum's letter does not name Walgreens directly but it specifies that except for Medicare-Glaser no other retail drug chain in St. Louis has the capacity to monitor drug interactions.

Walgreens and Medicare-Glaser are the two leaders in the St. Louis market but Medicare-Glaser, which has spent eight years developing a pharmacy computer system, has been advertising the system in this market for three years. Walgreens, which recently completed a chain rollout of its Rx computer systems, began advertising on television about eight months ago. So far, Walgreens is the only other chain retailer in this market to advertise pharmacy systems.

At a casual glance, the two


I have written this letter because I don't want a misunderstanding of pharmacy advertising to cause harm to you or your family.
Medicare-Glaser Corporation

systems are similar but the Medicare-Glaser systems called Medicom can monitor drug interactions while the Walgreens Intercom System, according to local Walgreens pharmacists, "are still a long way from providing that service."

Walgreens ads here do not specify that the system can monitor drug interactions, but last month an ad broke that Medicare-Glaser executives think creates "misunderstandings." Medicare-Glaser executives say that certain elements in the ad allow consumers to infer that the computer can do everything a Medicare-Glaser computer can do, including monitor drug interactions. Walgreens management commented that "even though we aren't mentioned by name, we ob-

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Imasco names Fantle chairman of Peoples

ALEXANDRIA, Va.—Sheldon W. Fantle, president and ceo of Peoples Drug Stores, has been named to the additional post of chairman by the chain's new parent Imasco Ltd., the Montreal-based conglomerate.

The announcement came only days after Peoples' shareholders at a special meeting accepted the $34 per share offer from Imasco, bringing the three-month-long $320 million merger to a successful close.

Sheldon W. Fantle

Fantle's appointment as chairman of Peoples is the culmination of a nine year effort that transformed the Alexandria-based drug chain from a relatively weak, problem-laden chain to one of the leading drug retailers in the mid-Atlantic and one of the nation's largest chains overall.

The 60-year-old Fantle, who also was elected to the board of directors of Imasco, is a 39-year veteran of the chain drug industry. He joined Peoples in 1975 after serving as the president and ceo of Lane Drugs in Toledo, Ohio. Shortly after Fantle took the helm of Peoples, he and former Peoples' chairman

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Merger talk catapults Jewel stock

CHICAGO—Speculation about a possible merger between American Stores and Jewel Companies sent Jewel stock spiraling upward earlier this month.

Talk of a possible combination of the two food and drug retailing giants surfaced when officials at the Chicago-based Jewel disclosed that a meeting had taken place during the last week of April in Denver with executives of American Stores.

However, Jewel quickly pointed out that "no offer has been made; no offer has been accepted." In addition, the company stated that American Stores had not accumulated any Jewel shares and that it did not anticipate an offer for any of its stock. But despite the obvious attempt to downplay the significance of the talk, Jewel's stock jumped $3.75 to $47.75 immediately following news of the meeting.

Heavy trading of Jewel stock continued through the first two weeks of May. At press-time, Jewel's stock, which is traded on the New York Stock Exchange, closed at $54.

Earlier in April, Jewel was the subject of a flurry of trading activity when it was reported that an inside management group offered to purchase the company for $65 a share. The

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Late News

MELVILLE CORP., operators of CVS, Marshall's and Foxmoor, announced it had reached an agreement to purchase FNS Sales Inc. FNS is the parent of the successful Freddy's deep discount store in Rochester, N.Y. The deal was reached with shareholders of FNS to purchase that corporation in exchange for Melville common stock. With the proposed deal, CVS becomes another major drug chain to enter the deep discount arena. Freddy's has been one of the most successful of the deep discount formats.

CONTINUING EDUCATION PROGRAM

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—News in brief—

Officers elected at NACDS meet

PALM BEACH, Fla.—In addition to naming Robert Long, president and ceo of Longs Drug stores, chairman of the National Association of Chain Drug Stores, members last month also elected James I. Harrison Jr. president of Harco Drug Inc., vice chairman and Alex Grass, chairman, president and ceo of the Rite Aid Corporation, treasurer.

Harrison, who just completed a term as treasurer, has been a member of the NACDS Board since 1978 and a member of the executive committee since 1980. Grass has been a board member since 1972 and an executive committee member since 1980.

In other business, Sydney J. Besthoff III, president of K & B Inc., and Richard E. George, president of Osco Drug Inc., were elected to the executive committee. They replace Sidney Dworkin, chairman, president and ceo of Revco Inc., and Stewart Turley, chairman and president of the Jack Eckerd Corp.

Seven board members were re-elected. They include: James B. Armor, president Thrift Drug; M. Lamont Bean, chairman and ceo Pay 'n Save Corp; Stanley Goldstein, president, CVS; E. B. Hart, chairman, president and ceo, Pay Less Northwest; Ray A. Shapero, chairman and ceo, Quael Corp; C. R. Walgreen III, chairman, Walgreen Co., and Gerald Wolken, president, SupeRx Drugs.

Denis Ribordy, founder and president of Ribordy Drugs, was elected to the board to fill the post just vacated by Abe Allen, Allied Pharmacies.

Black ink predicted for Trak Auto

NEW YORK—Trak Auto West, the auto parts and accessories chain jointly owned by Thrifty and Dart Drug, "has not turned the profit corner," but is expected to break even this year, Thrifty chairman Leonard H. Straus told security analysts here this month.

Straus said that the combined pretax loss of $2.5 million from the Trak Auto West operation was due in part to the considerable investment involved in opening the auto chain's 148,000-sq.-ft., state-of-the-art distribution center as well as a less than effective advertising program.

A new advertising campaign and an auto aftermarket industry in southern California that is projected to grow to "double the size of the drug store business," has left Straus "still very confident that Trak Auto West will do the volume."

Thrifty and Dart currently operate 40 Trak Auto West stores in the Greater Los Angeles Area. Ten new stores will be opened by Aug. 31. Thrifty president Richard Eils said that there may be as many as 60 Trak Auto West stores by year-end and 100 units by August 1985.

Similar expansion plans have been laid out for Crown Books, the discount book store chain of which Thrifty and Dart each own 34%. There are currently 162 Crown Book Stores in operation. By year-end, the number of book stores may reach 222, Eils said.

Thrifty's other major specialty retailing venture will also be expanded. Seven new Big 5 sporting goods stores will be opened this year and at least 10 are planned for 1985.

In addition to specialty retailing, Thrifty operates 26 fountain and coffee shops, an import business, a realty division and film processing and ice cream manufacturing operations.

Promotions announced at Longs

WALNUT CREEK, Calif.—Philip E. Paz has been promoted to vice president of merchandising and sales development at Longs Drug Stores.

Paz, who has been with Longs since 1967, was previously vice president and district manager of Longs Peninsula district.

Robert Wilson, who had been a store manager in that district, was promoted to district manager.

Napoli named exec vp at Medi-Save

BATON ROUGE, La.—Carl J. Napoli Sr., of Medi-Save Pharmacies Inc., has been promoted to executive vp, according to Ed Hiller, president of the 108-store chain.

Napoli joined Medi-Save in 1962 when the company operated four leased pharmacy departments in Louisiana. He was named vp of merchandising and marketing in 1974, and received another promotion to senior vp of marketing in 1982, a position he held prior to his recent promotion.

A Baton Rouge native, Napoli graduated from Northeast Louisiana State University with a B.S. degree in pharmacy.

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Long pledges to expand current NACDS policies

PALM BEACH, Fla.—Robert M. Long, who succeeds Henry Panasci Jr. as chairman of the National Association of Chain Drug Stores, is perceived by his colleagues as a "gentle, quiet man, not especially fond of the spotlight, dedicated to his family, his business and the industry at large."

Long, who has four children—two girls and two boys aged 3½ through 13—is admired both for his business finesse and for his service to the association.

Those who know him use words like "dedicated, kind," but also "private" and "sort of shy."

In his current role of NACDS chairman, Long sees himself as a sort of agent of the past, "an extension" of what Panasci, Bob Bolger and the NACDS staff have already accomplished and hope to continue to accomplish.

"I'm going to be concentrating primarily on the programs we are in the process of implementing," he says, "rather than make drastic changes in other directions."

Long, who has been a member of the NACDS staff board since 1977, has served on its executive committee for three years from 1979 through 1982.

He believes his past service along with his work with Panasci, Bolger and Sid Dworkin lends "stability" to his current service and helped prepare him to move in directions that will facilitate "the growth of the organization."

Robert M. Long, president and ceo of Long's Drug Stores assumes the chairmanship of the National Association of Chain Drug Stores from outgoing chairman Henry Panasci Jr., chairman and ceo of Fay's Drug.

"We're putting our effort into building a team," he says. "When you start out to develop something, you don't want to make any major changes, you want to bring things to fruition. I'm going to carry on from Henry, just as Jim Harrison, my successor, will go on to carry on from me.

"We believe in motion and evolution but new things should be planned and phased in."

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E-Ferol probe leads F.D.A. to toughen drug guidelines

WASHINGTON—Top Food and Drug Administration officials have announced plans for tough new internal guidelines on "unapproved" drugs in the wake of recent infant deaths associated with E-Ferol intravenous vitamin E solution.

But Congressional outrage over F.D.A.'s "bureaucratic blundering" and the failure of the drug's distributor to report fatal reactions to the agency may generate fresh Capitol Hill support for new Federal drug liability laws, some industry legislative experts predict.

The drug, which was manufactured by Revco's Carter-Glogau division but distributed by Missouri-based O'Neal, Jones and Feldman, has been linked to the deaths of some 38 infants over the past six months as well as to "serious and perhaps life-threatening adverse reactions" in more than 40 other babies.

Although other vitamin E dosage forms, including injectible versions, have been used for years to provide essential nutrients to premature or "low birth weight" (LBW) infants, E-Ferol was the first intravenous form to be marketed.

O'Neal, Jones and Feldman introduced the drug last October without seeking F.D.A. approval. And although Federal drug regulators became aware of the product's unapproved status last year as a result of inquiries from pharmacists and hospital officials, F.D.A. staffers decided that E-Ferol was sufficiently similar to older (pre-1962) nonintravenous vitamin E drugs to justify its marketing without an approved New Drug Application (NDA).

"With the benefit of hindsight, we can conclude that E-Ferol should not have been regarded as being similar enough to existing products" to be excused from the NDA process, F.D.A. Acting Commissioner Mark Novitch told Congress earlier this month.

But while Novitch admitted that F.D.A. "failed badly" in its handling of the vitamin E situation, he also suggested that the distributor withheld evidence of infant fatalities which would have triggered immediate agency action against the drug.

On April 6—three days before F.D.A. declared E-Ferol to be an illegally marketed, unap-

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New prototype pays off

Perfecto helps boost Thrifty sales

NEW YORK—After five consecutive years of declining drug store sales increases on a same-store basis, the Los Angeles-based Thrifty Corp. has apparently reversed the downward trend.

Through the first six months of fiscal 1984, ended Feb. 29, 1984, same-store sales increased 10.6%, a marked improvement over the 6.8% increase registered during fiscal 1983 and close to the 11.9% gain posted in 1979 and Thrifty's best year-to-year increase in the last 10 years.

Speaking before a group of security analysts earlier this month, Thrifty chairman and ceo Leonard H. Straus said the improvements in its drug store division have come in part from "much larger sales and profit gains" in Thrifty's Perfecto prototype stores, which now constitute nearly 55% of the chain's 539 drug stores. Average store sales last year were just over $2 million.

"We believe that Thrifty stands at the threshold of a much more explosive profit and sales trend than we have ever experienced," said Straus.

Richard G. Eils, president and coo of the diversified drug chain, told analysts that nearly all of the company's drug stores will be converted to the smaller 18,000-sq.-ft. Perfecto prototype by fiscal 1988. While converting approximately 50 stores a year to the Perfecto format, Eils said that the chain also "will accelerate store openings to a minimum of 25 a year," beginning in 1985. He added that approximately five existing Thrifty stores will be shuttered each year.

The Perfecto stores, in addition to featuring a brighter decor package, lower gondolas and greater self-service merchandising, carry average inventories valued at $345,000.

Thrifty has also taken steps toward improving its pharmacy operations, which has been a problem for the chain in past years. Through aggressive price promotion, pharmacy sales have grown from 9% of Thrifty's volume to 14% last year. As part of an overall program to obtain greater productivity from its pharmacists,

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FINANCIAL

Bindley Western net hits $1.02M in 1st qtr.

INDIANAPOLIS—Bindley Western, the wholesaler whose primary business is pharmaceutical sales to large chains like Eckerd, Revco and Rite Aid, posted an 81% increase in net earnings for the first quarter ended March 31.

The company reported that earnings rose to $1.02 million on sales of $131 million, up 12%. It was the first time in the company history that earnings surpassed the $1 million mark in a single quarter. Earnings per share rose to 32¢ from 26¢ in the year-earlier period.

William E. Bindley, chairman and ceo, said that March sales "were the highest for any month in our history and include the addition of several new key customers and better than anticipated volume in the new Dallas distribution center."

The wholesaler, which operates on extremely thin margins, also reported that gross margins for the quarter increased to 2.2% from 2% in the same period last year.

For the current fiscal year, the company has announced "some rather ambitious objectives." According to Bindley, "To insure that we will be able to efficiently and economically handle our growth objectives, we have devoted much of our energies and efforts in the first quarter to the development and implementation of new management information and reporting systems.

Bindley also announced that Bindley Western Industries stock began to be traded on the NASDAQ National System.

Kroger profits drop 12.8%, but SupeRx still 'improving'

CINCINNATI—While operating earnings of Kroger's SupeRx Drug division "continued to improve" in the first quarter, the parent company reported a 12.8% decline in net profits.

Kroger's earnings for the quarter fell to $18.8 million from $21.5 million in the year-earlier period. Sales rose to $3.6 billion from $3.4 billion, a 7.3% increase. Earnings per share declined 8.7% to 42¢ from 46¢ a year earlier.

Lyle Everingham, chairman of the company, said that while earnings were "still not what they should be," he was "encouraged by the strengthening trend of both sales and earnings during the first quarter.

"Frankly, we anticipated that the first quarter would fall even further below last year's results," Everingham said. "But our sales showed increasing momentum as the quarter progressed."

The chairman pointed to several factors that contributed to the "strengthening results." They included improving sales in major markets, an easing of intense price competition in some markets, profit from debt reduction and the impact of stringent cost-containment measures.

In addition to the improving results in the SupeRx division, the company also said sales and earnings of Dillon Companies "were above expectations in the quarter."

Stop & Shop sets dividend

BOSTON—The board of directors of the Stop & Shop Companies, parent of Medi-Mart Drug Stores, declared a dividend of 25¢ a share, payable to stockholders of record at the close of business on June 8.

The new dividend represents an increase of 33% above the 18.75¢ that has been paid each quarter since July 1983.

Pay 'n Save dividend

SEATTLE—The Pay 'n Save board of directors declared a quarterly dividend of 15¢, payable to stockholders of record on March 15. The dividend will be paid on June 15.

Dart, Thrifty lead chain drug stock gains

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		4/20/84—5/7/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change					Indicated Dvd Rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt	Pct	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Amt	Yield	Last X-Dvd Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil	$ Mil	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	15.00	13.50	14.00	-1.00	-6.67	24.88	12.63	.02	-.27	-.89	-19.92	1.74	.62 F	55.3	40.0	2.4	8.0	.04	3	03-09-84	302.1	7.1	2.8	8.00	9.74	1282
Am Stores	ASC	33.50	29.00	31.63	2.50	8.58	44.00	26.34	-.11	-.25	.37	19.28	3.61	.92 F	34.2	62.0	1.5	8.8	.64	2.0	03-22-84	7983.7	117.9	1.4	11.95	12.14	0183
Begley Drug	BGLY	16.00	15.75	16.00	.00	.00	24.00	15.75	-.07	.34	2.99	53.33	1.47	1.46 N	NC	-10.0	1.4	11.0	.68	4.3	04-13-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	10.75	9.88	10.50	.13	1.20	14.50	9.06	-.16	.33	-2.88	-13.06	.53	.14 F	35.8	22.0	3.0	19.8	.00	.0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Dart Drug Corp	DRUGA	94.00	80.00	85.00	21.00	32.81	148.00	57.00	1.22	-1.06	7.86	-1.01	5.43	6.32 N	207.2	67.0	3.1	9.1	.13	2	03-05-84	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	5.50	4.75	5.25	-.25	-4.55	9.31	4.75	-.82	2.26	-.80	46.67	.55	.65 N	NC	NC	2.6	8.1	.00	.0	01-25-84	26.7	.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	24.25	22.13	23.50	.63	2.73	34.75	21.63	-.18	.82	2.87	8.60	1.91	.30 S	16.3	6.0	3.1	11.0	1.00	4.3	03-12-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	9.88	9.25	9.63	.13	1.32	14.50	8.81	-.38	-.33	-4.09	-14.76	.60	.13 F	27.6	56.0	2.6	16.0	.14	1.5	03-19-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	13.50	13.00	13.13	.00	.00	20.50	10.19	-.19	.07	-2.68	12.07	.96	.29 F	43.2	99.0	2.0	13.7	.20	1.5	03-29-84	193.8	3.9	1.7	1.90	4.95	0183
Hook Drugs	HOOK	22.75	21.00	22.50	1.25	5.88	29.75	18.50	.23	.18	.89	-39.88	2.01	.49 F	32.2	7.0	2.7	11.2	1.00	4.4	04-09-84	320.5	8.7	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	39.50	37.75	39.25	-.25	-.63	50.13	37.75	-.37	.69	5.02	20.40	3.43	.51 F	17.4	10.0	3.0	11.4	1.12	2.9	02-29-84	1214.4	36.4	1.8	.00	18.76	0183
Pay N Save	PAYN	18.50	17.00	18.50	1.00	5.71	28.75	17.00	-.65	.33	1.02	18.47	2.02	.61 F	43.2	1.0	2.5	9.2	.60	3.2	02-17-84	1220.5	30.1	2.3	17.01	14.32	0183
Pay Less NW	PAY	16.75	16.13	16.50	.13	.76	20.19	14.00	-.11	.57	-1.79	19.64	1.35	.28 F	26.1	1.0	2.9	12.2	.34	2.1	06-18-84	852.9	24.7	2.0	5.26	6.07	0183
Perry Drug	PDS	16.13	15.50	16.00	.25	1.59	22.38	14.00	.19	.83	6.81	-68.01	1.02	.37 Q	50.0	11.0	1.6	14.4	.24	1.5	02-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	27.50	24.75	27.00	1.25	4.85	37.50	24.00	-.98	.67	4.28	-22.28	2.13	.56 N	29.7	24.0	3.7	11.1	.68	2.5	02-17-84	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	20.63	18.50	20.50	1.75	9.33	23.44	17.88	.24	.27	-4.36	-35.04	1.47	.29 F	24.5	31.0	5.1	13.9	.41	2.0	04-10-84	1223.3	62.2	1.7	.59	6.19	0283
Thrifty Cp	TFD	15.63	12.75	15.00	1.50	11.11	25.25	11.50	.59	-.59	-2.91	-42.65	1.13	.28 S	28.0	19.0	1.9	11.7	.52	3.5	05-04-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	36.13	33.00	35.00	1.25	3.70	40.38	30.00	.10	-.31	-.61	-6.40	2.24	.46 Q	24.4	34.0	2.9	15.0	.72	2.1	05-14-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	25.00	22.75	24.75	.63	2.59	39.50	21.00	-.03	.67	.69	23.83	1.60	.22 S	14.6	38.0	1.4	14.4	.32	1.3	04-25-84	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	36.88	35.38	36.00	-.63	-1.71	51.00	32.50	.21	.54	-1.05	21.55	3.44	.38 N	11.7	5.0	1.6	10.0	2.40	6.7	02-24-84	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	25.00	24.50	24.75	-.25	-1.00	28.50	22.25	-.08	.52	-5.60	-37.63	94	1.43 N	NC	103.0	.7	17.3	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	15.75	14.50	15.00	-.63	-4.00	21.00	11.13	-.27	-.08	-.58	48.53	89	.51 N	113.3	97.0	.4	15.6	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	13.00	12.50	12.50	-.50	-3.85	19.25	12.50	-.34	.13	-1.14	13.58	1.41	.48 Q	53.3	12.0	1.2	9.1	.36	2.9	03-09-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	20.38	19.00	20.00	.63	3.23	28.75	15.50	.41	.53	-9.65	20.74	1.35	.31 N	25.0	48.0	1.6	12.9	.14	7	03-30-84	339.1	5.4	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	44.38	42.50	43.50	.00	.00	53.38	36.25	.32	.03	-1.06	-6.96	2.86	.49 F	20.6	28.0	11.9	15.2	1.20	2.8	04-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	55.75	52.50	53.00	-.38	-.70	55.75	42.88	.11	-.61	.43	19.00	4.00	.41 F	11.4	17.0	12.9	13.3	2.64	5.0	02-06-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	18.63	16.63	17.38	.38	2.21	31.31	15.63	.14	-1.56	.61	-18.99	1.45	.23 F	18.8	28.0	11.8	12.0	.33	1.9	03-23-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	27.25	27.25	27.25	.00	.00	34.47	23.31	-.06	.35	-6.59	5.56	2.85	.47 N	17.6	14.0	9.7	8.7	1.00	3.7	02-24-84	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	47.63	43.63	44.13	-2.75	-5.87	48.00	35.75	-.08	-1.08	.07	13.39	3.00	.41 F	15.8	19.0	10.4	14.7	1.60	3.6	04-02-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	23.38	21.38	22.50	.00	.00	28.75	18.00	-.02	.11	1.66	5.43	2.12	.31 N	15.5	35.0	5.7	9.7	.48	2.1	04-13-84	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	25.75	17.75	25.00	7.75	44.93	25.75	10.38	2.18	2.87	1.73	-8.20	NA	NA	NA	NA	NA	NA	.12	.5	03-[illegible]	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	23.50	20.13	22.88	-.88	-3.68	40.75	16.13	1.02	1.49	1.32	11.13	.48	-.02 N	-3.5	57.0	13.4	42.4	.00	.0	[illegible]	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	7.25	5.75	6.75	.75	12.50	15.25	4.88	.04	1.55	5.09	13.50	.22	-.20 F	-47.6	33.0	5.1	30.7	.00	.0	0[illegible]0	37.0	1.9	1.8	.65	3.81	1182
Key Pharm	KPH	14.00	12.38	12.75	-1.13	-8.11	25.94	12.00	-.93	.12	-2.78	24.32	.51	.17 F	50.0	60.0	14.8	25.0	.16	1.3	03-12-84	127.3	18.8	1.6	.03	1.14	1282
Lilly Eli Co	LLY	64.88	61.50	62.00	-2.88	-4.43	68.38	56.75	-.04	-.37	1.53	-2.95	6.13	.71 F	13.0	12.0	15.1	10.1	2.90	4.7	05-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.00	2.50	2.88	.25	9.52	4.38	2.00	.17	1.01	2.85	-2.38	-.49	.54 Q	NE	-57.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	35.75	32.50	32.88	-2.13	-6.07	48.00	27.25	-.06	-.56	-5.26	8.70	.78	.43 S	72.8	15.0	8.2	32.2	.40	1.2	03-14-84	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	97.25	89.50	89.75	-7.25	-7.47	104.63	83.63	-.13	-.30	-.35	-5.54	6.10	.49 F	8.7	7.0	13.9	14.7	3.00	3.3	03-01-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	84.50	79.50	80.13	.13	.16	84.50	60.00	.56	-.26	-3.56	23.12	5.15	1.09 S	23.1	17.0	5.2	13.8	1.76	2.2	02-23-84	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	5.63	4.38	5.50	.75	15.79	11.38	4.38	-.18	.82	.72	4.30	-.03	-.09 N	NE	14.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	35.00	32.50	33.75	.50	1.50	44.75	32.25	-.10	-.10	-.71	-23.35	2.73	.62 F	29.3	17.0	11.9	12.4	1.32	3.9	01-26-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	4.25	3.50	4.25	.50	13.33	6.09	2.75	-.31	2.27	2.72	11.20	.10	.06 S	85.7	64.0	6.1	32.7	.05	1.2	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	17.88	16.25	17.50	1.13	6.87	29.38	15.88	-.04	.24	2.40	5.24	2.40	.42 F	21.2	20.0	10.3	7.3	.68	3.9	05-04-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	32.88	30.38	30.88	.13	.41	34.25	25.25	.37	-.54	3.36	36.70	2.02	.22 F	12.2	11.0	8.9	15.3	1.08	3.5	05-04-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	12.63	11.63	12.63	.13	1.00	29.63	11.63	-.39	.78	8.11	-14.25	1.13	-.39 N	-36.7	2.0	5.2	18.8	.32	2.5	03-14-84	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	42.63	41.13	42.13	.63	1.51	55.88	39.38	-.64	.32	-.43	10.99	2.39	-.17 F	-6.6	14.0	11.6	17.6	.52	1.2	02-06-84	946.0	110.0	2.2	4.10	13.32	1282
Squibb Corp	SQB	44.38	42.38	43.00	-.13	-.29	55.63	38.25	-.22	-.50	-2.22	-5.94	3.31	.30 F	9.9	6.0	9.8	13.0	1.44	3.3	02-10-84	1768.9	173.3	2.3	6.54	21.29	1282
Sterling Drug	STY	26.13	24.88	25.75	-.13	-.48	29.63	23.50	-.12	-.01	-.91	20.91	2.24	.07 F	3.2	8.0	7.2	11.5	1.16	4.5	05-01-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	44.88	40.75	43.00	2.25	5.52	61.50	37.75	.39	-.36	-.22	-8.00	4.30	.40 S	9.9	36.0	17.2	9.7	1.60	3.7	02-06-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	23.50	21.13	22.75	1.50	7.06	26.00	12.75	.87	-.06	-.88	-9.74	1.65	.49 F	42.2	89.0	11.0	13.8	.40	1.8	03-26-84	149.4	16.5	4.5	.00	4.53	1182
Upjohn Co	UPJ	71.25	66.00	67.38	.88	1.32	72.25	50.75	.31	-.83	-1.64	-3.50	5.28	1.10 F	26.3	1.0	8.1	12.8	2.56	3.8	03-30-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	34.88	30.50	30.75	-3.50	-10.22	36.75	26.38	-.35	-.03	2.24	32.40	2.51	.46 F	22.4	-2.0	6.5	12.3	1.48	4.8	04-30-84	3108.3	200.5	1.9	7.53	17.75	1283

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

• Two industry experts debate the MAC issue—p. 18

PHARMACY ℞

Cool reception for Rx ads at D.C. meet

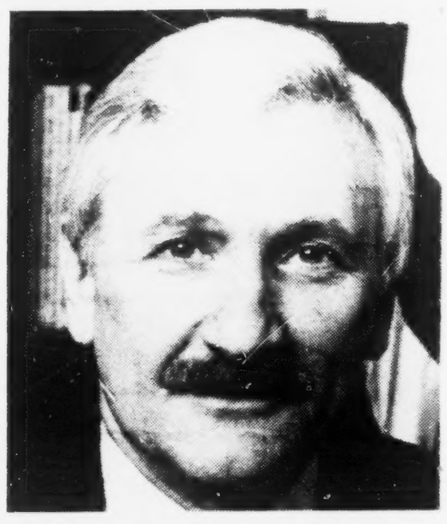
By Harold Cohen, R. Ph.

WASHINGTON—Direct-to-consumer prescription drug advertising, which many observers believe to be imminent, has received only weak support from involved parties who feel that there are still many unanswered questions which will delay its implementation.

That was the consensus of representatives of consumer groups, the medical profession, the pharmaceutical industry and Government officials who met in Washington last month for a two-day symposium. The purpose was to define and analyze the issue.

Organized by Professional Post Graduates Services Inc., the symposium was cosponsored by the University of Illinois and the Stanford Research Institute and aided by a grant from the Upjohn Company, a major opponent of direct-to-consumer ads.

"Our premise is that the concept should be tested and not simply debated in abstract."—**Gary Freedman, senior vp, Government and Public Affairs and division counsel, Ciba-Geigy Corporation.**



"Although the F.D.A. does not have a final position on the PDAC issue, I can teli you that we do have some serious concerns"—**Mark Novitch, acting commissioner of the F.D.A.**

"The promotion of drugs to consumers is not in the public interest"—**Fred Wegner, coordinator of the Prescription Drug Education and Information Project of the AARP.**

"Information regarding beneficial and adverse effects of prescription drugs will be particularly difficult to provide in the brief duration of a radio and television advertisement"—**Alan Nelson, M.D., member board of trustees, AMA.**

Setting the tone for the symposium was Dr. Mark Novitch, Acting Commissioner of the F.D.A., who said the agency has "some serious concerns."

F.D.A.'s hesitation arose out of random testing done by the Government agency in which approximately 1,500 subjects in Buffalo, Cleveland, Houston and Seattle were shown advertisements on television depicting fictitious prescription drug products and were asked to voice their opinions.

A major concern of the F.D.A. is how effective a brief television commercial can be in providing a balanced picture of

Continued on page 29

Lilly study: Belt tightening pays off for independents

NEW YORK—Although independent drug stores reported a higher average cost of goods sold last year, they were able to maintain their profit margins by trimming expenses.

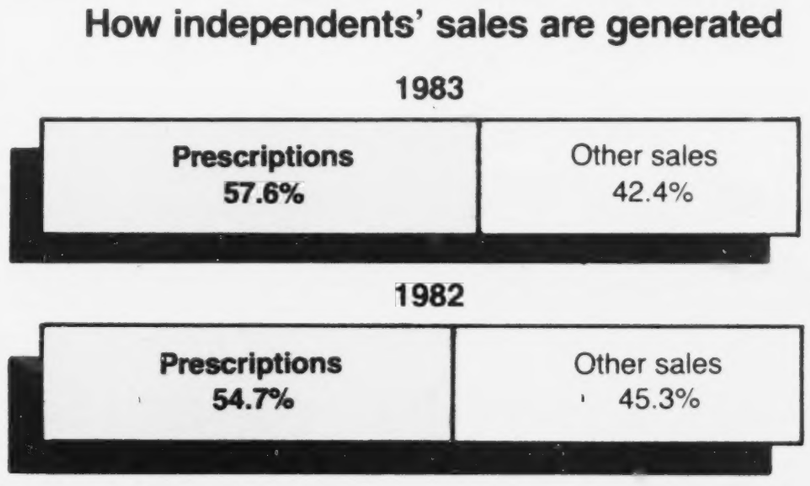
This was one of the findings of this year's Lilly Digest preliminary report on the 1983 operating results of 860 independent community drug stores nationwide.

According to the report, the gross margin of the average independent declined 0.4 of a percentage point to 33.2%, the lowest since 1953. But the average community pharmacy was able to shave its expenses to a new low of 30.3%.

The two offsetting factors left the average net profit margin, before taxes, intact at 2.9%.

The Lilly Digest also found that while average store sales increased only 8% during 1983, prescription sales rose by 13.5% over previous-year sales. As a result, the percentage of prescription sales to total volume climbed 2.9 percentage points to 57.6%.

How independents' sales are generated



Source: *Lilly Digest* preliminary report

Other findings from the report:

- While the average salaries of both proprietors/managers and employees increased last year, the percentage of salaries to total sales fell to 16.9% from 17.3%. The typical proprietor/

Continued on page 17

Pay Less, Bergen Brunswig venture

Billing process to trim Medi-Cal paperwork

SACRAMENTO, Calif.—Pay Less NW and Bergen Brunswig have been approved by the State of California Department of Health Services as providers for Medi-Cal's new pilot tape-to-tape billing project.

For Pay Less' 70 California stores, it's a three-step transition: from manual processing to tape-and-a-hard-copy to 100% tape.

"Earlier this year," says Tom Eilers, pharmacy systems buyer for Pay Less, "the state allowed providers to use hard-copy backup with tape-to-tape. The hard copy enabled us to handle edits and rejects expeditiously."

Eilers notes that "tape-to-tape does not change the procedures at the Pay Less pharmacy except to eliminate hard copies—and that reduces paperwork."

With the Pay Less on-line computer, the accummulated data from the pharmacies is transmitted on tape to Computer Science Corp. (CSC), the third-party intermediary under contract with the state. CSC loads the tape into its system, processes the claims, and sends the state a payment tape. The state then reimburses Pay Less.

As contrasted to the manual system, Eilers says there are 1% to 2% fewer rejections with tape-to-tape because "tape has been eliminated and therefore no human hands are involved."

Eilers also notes that reimbursements for Medi-Cal claims have been speeded up by one week. Pay Less processes

Continued on page 17

Pending drug price bill benefits public and retailers

BENCHMARKS

By Joseph Caputo, R.Ph.
Pharmaceutical Editor

Washington lawmakers occasionally come up with legislation that benefits consumers, the pharmaceutical industry and retailers alike. One such measure is now emerging. It has been called "the most significant drug legislation considered by Congress in over 20 years."

The House proposal, sponsored by Rep. Henry A. Waxman (D-Calif.), is the Drug Price Competition Bill. The Senate companion version is known as the Patent Restoration Bill.

Together, the two bills would effect a tradeoff between research-intensive pharmaceutical manufacturers seeking to extend the effective patent life of many of their valuable drug properties and generic drug makers, who have long been eager to create generic versions of pioneer drugs patented after 1962.

Waxman's bill would open the door for generic manufacturers to market their own versions of some 125 drugs formerly sold exclusively by their developers. It would do so by allowing the generic companies to submit Abbreviated New Drug Applications (ANDA's) for post-1962 drugs, where formerly they had to spend millions to prove the safety and effectiveness of the drugs before marketing them.

Waxman's bill would also speed the approval of multisource drugs by allowing generic manufacturers to import and test new drugs—but not market them—before the products' patents expire. The Food and Drug Administration would simultaneously be able to process ANDA's, but not approve them until after patent expiration.

The Senate bill would benefit marketers of branded pioneer drugs by extending effective patent life and thereby providing more time in which to recapture investment. Thus, it would offer an incentive to manufacturers to develop innovative new drugs, and the cycle toward eventual multisource availability would start again.

The patent extension part of this bill calls for a number of modifications in existing patent law. For example, pioneer drugs such as Feldene, Halcion and Cardizem, approved by F.D.A. in the "transition" period between Jan. 1, 1982, and the time of enactment would be afforded 10 years of market exclusivity. Drugs with 14 or more years of market exclusivity would not qualify for patent extension.

Patent extension for all other pharmaceuticals would depend on whether a drug was currently under F.D.A. review. For drugs not yet submitted for approval, the period of patent extension would be equal to the time required to review the New Drug Application (NDA) plus one-half the time required for the Investigational New Drug phase. Total extension time, however, would not exceed 5 years.

For drugs currently under F.D.A. review, a similar formula would be used except that only 2 years of extension would be granted. In both cases, effective patent life would not be extended beyond 14 years.

As generic firms make these products available to the public there will be more price competition than ever before. As a result, the public—especially that portion on fixed or limited incomes—will no longer have to make the desperate choice between eating decent meals and obtaining needed medications.

While the public is the ultimate beneficiary, retailers can also expect to gain from the higher price points of new products and the bigger gross margins of multisource drugs—and, of course, consumer goodwill.

PHARMACY

Independent stores tighten their belts

(Continued from page 13)

manager of a community pharmacy earned $31,663 in salary last year, compared to $29,965 in 1982, while employees' wages increased to $58,906 from $56,454.

- The value of total inventory at cost increased 5.2% in 1983 to $80,162 from $76,216 the previous year, but the annual inventory turnover rate increased to 4.6 times from 4.5 times. Of the total inventory cost, the sharpest increase was in prescriptions, up 12.1% to $33,238 from $29,642. The inventory value of other merchandise increased only 0.8% to $46,924 from $46,574.
- The number of new scripts as a percentage of the total increased to 49.1% from 48.8%, while renewals dropped 0.3 of a percentage point to 50.9%. The total number of prescriptions dispensed by the average pharmacy increased by 4.7% to 14,640 and the price of an average script was up 8.4% to $10.74.
- Average sales per sq. ft. increased 8.4% to $211.54.
- The average hours open per week remained constant at 62.

TRP reduces safety concern

WASHINGTON—Tamper-resistant packaging of over-the-counter drugs has produced a "substantial decline" in public concern over the safety of these products, a recently conducted Harris Poll found.

But consumers are "hardly at ease over this issue," and "half of all shoppers this year are still very concerned about tampering with nonprescription drugs," researchers at the Food Marketing Institute said.

A similar Harris survey sponsored by FMI last year revealed that 66% of the consumers polled were "very concerned" about drug tampering, while only 15% expressed little or no worry.

The 1984 survey results of interviews with more than 1,000 consumers indicate that 50% remain very concerned.

According to FMI research chief Tim Hammonds, the change is due at least in part to the rapid implementation of tamper-resistant packaging.

After the Tylenol poisonings in late 1982, "many manufacturers responded swiftly to consumer concerns by offering new tamper evident packaging for nonprescription drugs" and "the public responded extremely positively to this," he said.

Medi-Cal

(Continued from page 13)

over $4 million in third-party billings per year.

Bergen Brunswig has been on tape-to-tape with 20 different contractors for the past year in the following states: New Jersey, Washington, Oregon, Texas, Connecticut, Oklahoma, New York, Georgia, Maryland and Virginia.

Bergen's vehicle for Medi-Cal prescription input is its Compuphase in-store terminal. The terminal is hooked into a modem at Bergen's central CPU. The CPU puts the claims on tape and transmits them to the third-party intermediary.

Bergen charges its customers a processing fee of 12¢ per claim.

Craig Toyama, manager of marketing and sales for Compuphase, says that tape-to-tape has cut rejected claims from an average rate of 15% to less than 1%. "Principle reason," he says, "is that it's now easier to edit claims for errors and eligibility."

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*Note: The seriousness of gravidic herpes is recognized; this physician was referring to ordinary perioral cold sores.

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PHARMACY
Biologist Frank Young to head F.D.A.—p. 17

MERCHANDISER
OTC converts lead in cough/cold—p. 33

DRUG STORE NEWS

Vol. 6 No. 13 | Serving the Retail Drug Store Industry for 55 years | Published by Lebhar-Friedman Inc. | June 11, 1984

Melville's planned purchase of Freddy's marks the first acquisition of a single deep discount drug store by a major corporation.

Melville's acquisition of Freddy's viewed as deep discount test

By Jim Ricchiuti

ROCHESTER—Melville Corp., the diversified retail company whose holdings include CVS drug and health and beauty aids stores, will likely operate its newest subsidiary, Freddy's deep discount drug store, as a test before rolling out similar units in other areas.

In agreeing to purchase Freddy's, the Harrison, N.Y.-based specialty retailer became the first major corporation to enter the deep discount drug business by *acquiring* an independently operated store.

According to the terms of the agreement worked out between Melville and Fred Silverstein, one of the principals of Freddy's, Silverstein will continue to operate the 25,000-sq.-ft. store (20,000 selling) located in the Southtown Shopping Center in Rochester.

Reportedly, Melville will pay approximately $1 million in common stock, plus the inventory value of the store, estimated at more than $1 million, to acquire Freddy's.

Since opening the store nearly four years ago, Freddy's has become a considerable factor in the $190 million Rochester retail drug market. Sources say the store, which carries a wide variety of general merchandise as well as health and beauty aids, cosmetics, OTC drugs and food, does upward of $12 million a year.

A pharmacy department added after the store was already open generates approximately 300 to 400 prescriptions a day, one observer noted.

Given Melville's track record in expanding other specialty retail divisions it has acquired,

Continued on page 50

Longs beefs up mgm't. for strong market push

By Bruce Buckley

WALNUT CREEK, Calif.—Longs Drug Stores has reorganized its upper-echelon management team, signaling what the chain says is "a more aggressive posture in how we market our goods and services."

The key changes, according to Robert M. Long, president and ceo, are the creation of two new senior management positions, one in marketing and the other in development.

Heading the new marketing thrust is Steve Roath, former vp of professional affairs, whose new title is senior vp of marketing. Ron Plomgren, former vp of properties, will direct the new effort in overall development, also as senior vp.

Longs' new marketing strategy aims to increase the overall effectiveness of merchandising, redistribution and sales development through a unified approach.

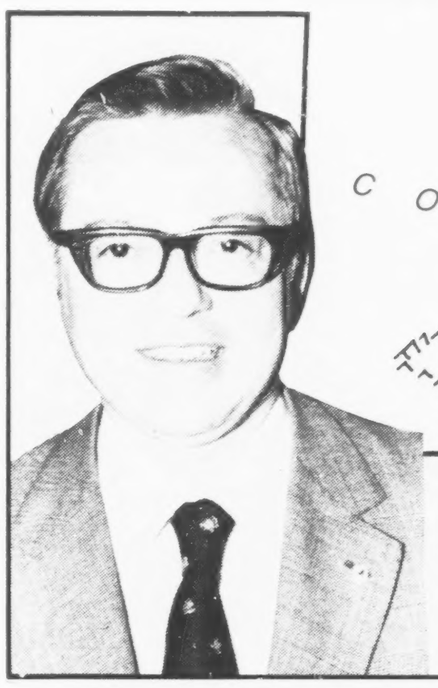
Development, the chain says, includes not only new store locations but also opportunities to branch out in certain areas, such as auto and greeting cards, based on the chain's expertise in drug store categories.

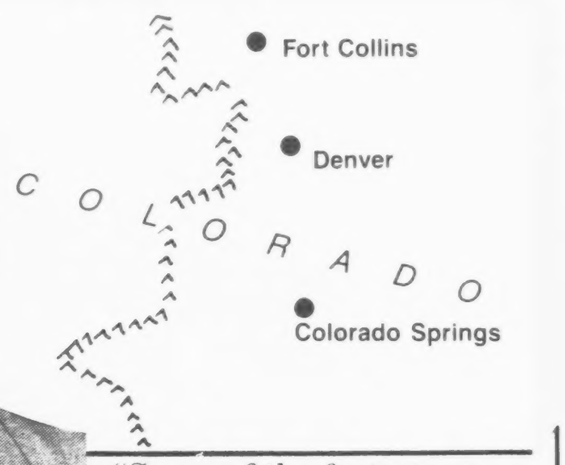
Analysts who follow Longs say the changes indicate not only a more aggressive stance but also a subtle shift in the chain's highly decentralized approach.

They say that Longs' top execs have realized that while the chain has evolved into a billion-dollar-plus company using its store-autonomy approach, future growth will depend on introducing a more coordinated effort.

Although Longs execs insist that store manager autonomy

Continued on page 49





"Some of the fastest growing cities are in Colorado and it appears that growth can be sustained."
Robert M. Long
president and ceo

Longs targets Colorado but avoids Denver heat

WALNUT CREEK, Calif.—Longs Drug Stores will launch at least two new stores in Colorado early next year, the first move in what observers believe will be a significant penetration into one of the nation's fastest growing states.

According to one source, the new stores will be located in Colorado Springs and Fort Collins. In both cities, the population grew by almost 60% between 1970 and 1980.

In addition to population growth, Robert M. Long, president and ceo, told shareholders at the company's recent annual meeting that Colorado's attractions include its rapidly growing economy, large and diverse labor pool and sizable number of new and affordable homes being built.

Continued on page 49

Pay 'n Save to cut Calif. stores to 11

By Lou Karney

SEATTLE—When the sale of six Pay 'n Save drug/home centers to Pay Less NW is approved by the Federal Trade Commission, it will reduce Pay 'n Save's California division to 11 stores.

According to industry observers, the sale also signals the beginning of the last act in the exodus of Pay 'n Save from California.

Executives at Pay 'n Save and Pay Less said they would have no statement until the FTC approved the deal, but the handwriting has been on the wall for several years, according to observers.

It took Pay 'n Save eight years to turn a profit in the Golden State, but since then the California operation has wavered back and forth from black ink to red.

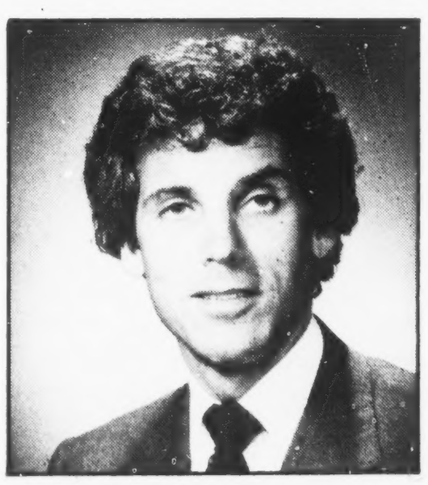
Says a competitor: "At the peak of the operation, Pay 'n Save had only 20 stores which were scattered over a 300-mile radius. They didn't have enough volume to operate a distribution center, so they bought from local wholesalers. And their advertising costs were high because the stores were so spread out. So they lacked economies of scale."

In addition, Pay 'n Save was forced to go head-to-head with two chains boasting the highest per-store volume in the country—Longs and Pay Less. If that weren't enough, Pay 'n Save lacked name identification in California, while Longs and Pay Less had been California institutions for decades.

But the biggest obstacle was pricing. According to a long-time California drug exec: "Pay 'n Save operated on gross margins of 29%-30%, while Longs' were 24%-25% and Pay Less's were 25%-26%. Pay 'n Save just

Continued on page 50

Sloan faces new challenges at Pay 'n Save



Stuart M. Sloan

SEATTLE—His supporters say he is intelligent, astute, innovative, honest, ambitious, indefatigable—and hates to fire anyone.

His detractors say he is arrogant, impatient, demanding and merciless in firing people.

Somewhere in between is the real Stuart Sloan, new executive vp of Pay 'n Save Corp.

But even his detractors admit that Sloan's track record as president of Schuck's Auto Supply (now a division of Pay 'n Save) is extraordinary.

In the 17 years that Sloan was at the helm of the auto chain, Schuck's grew from an eight-store chain with 42 employees, doing $1.3 million in sales to an organization with 58 stores, 700 employees, and which last year had sales of $60 million.

But the transition from Schuck's to Pay 'n Save hasn't been easy for Sloan. Shifting from an entrepreneur-type business to a billion-dollar corporation never is. As the top man at Schuck's, Sloan expected to report to chairman Monte Bean, the top man at Pay 'n Save. So when he was asked to report to vice chairman Cal Hendricks, he balked. Now he reports to Bean.

And there are other difficult adjustments to be made by Sloan. His biggest challenge in his new role will be to create an effective commu-

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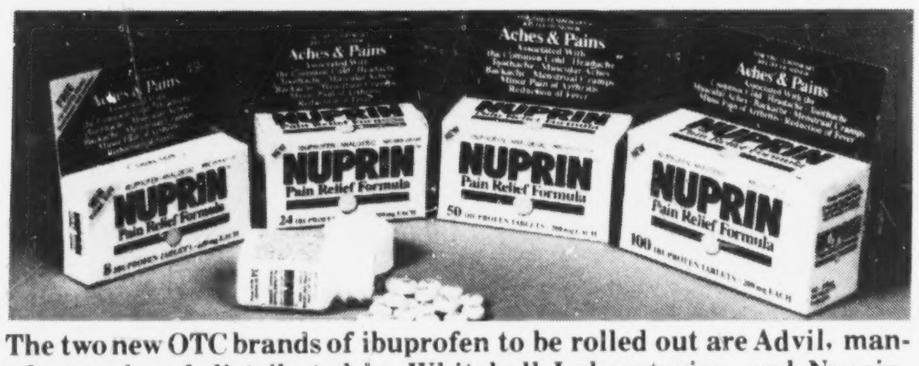
Late News

SUPERMARKETS GENERAL CORP., parent company of Pathmark food and drug stores, is holding merger talks with Purity Supreme, the Massachusetts-based operator of Pharmacity Drug Stores, Heartland Food warehouses and Heartland Drug.

PEOPLES DRUG STORES broke ground late last month for its new 525,000-sq.-ft. state-of-the-art distribution center in Fredericksburg, Va. The facility, scheduled for completion in June 1985, will serve Peoples stores in the mid-Atlantic region.

ACPE CONTINUING EDUCATION PROGRAM

New contact lenses and solutions—pp. 9-16.



The two new OTC brands of ibuprofen to be rolled out are Advil, manufactured and distributed by Whitehall Laboratories, and Nuprin, manufactured by Upjohn and distributed by Bristol-Myers.

Expect leading analgesics to lose share to ibuprofen

By Harold Cohen, R.Ph.

NEW YORK—The Food and Drug Administration decision to move ibuprofen from prescription-only to over-the-counter status will be at the expense of leading brands in the $1.3 billion analgesic market.

That's the opinion of industry experts who agree that ibuprofen will not appreciably increase analgesic sales, but rather will grab market share from some of the top branded aspirin and acetaminophen products.

David F. Saks of A. G. Becker Paribas Inc. is one drug analyst who believes that the top-seiling OTC analgesic, Tylenol, is particularly vulnerable.

"I know Tylenol will be hurt," Saks said. "It will no longer be the growth product it once was. I believe that, at the very best, Tylenol sales will remain flat."

Bayer aspirin also stands to lose market share to the new OTC product. But, according to its manufacturer, Glenbrook Laboratories, a major effort will be put forth to hold onto sales of both Bayer aspirin and its Panadol (acetaminophen) products.

"We are prepared to aggressively defend our expanding market share," said Terry Kelley, a spokesman for the company. Nevertheless, Kelley conceded that Glenbrook is considering marketing its own brand of ibuprofen.

But Glenbrook and McNeil, maker of Tylenol, would have to wait until May 1985 when ibuprofen's patent expires.

As a legend drug, ibuprofen is currently being marketed under the brand names Motrin (Upjohn) and Rufen (Boots). Used by about seven million pa-

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Congress O.K.'s crime bill

WASHINGTON—Final Pharmacy crime legislation sailed through Congress late last month despite bitter opposition from independent druggists seeking even broader Federal jurisdiction over drug store robberies and burglaries.

The compromise measure, which was awaiting President Reagan's signature at presstime, grants Federal Justice Department officials new but limited authority to prosecute individuals charged with stealing any controlled substances from drug stores, hospital pharmacies, drug wholesalers or manufacturers.

Under the new law, Federal authorities will be allowed to intervene in pharmacy robbery cases if the replacement value of the controlled substances involved exceeds $500.

In addition, the Justice Department will be authorized to prosecute in all cases involving "significant bodily injury" or interstate commerce, regardless of the value of drugs involved.

Although the final compromise measure drew strong support from the National Association of Chain Drug Stores, the American Pharmaceutical Association and the National Wholesale Druggists Association, lobbyists for the National Association of Independent Druggists openly attempted to block passage of the bill, charging that the "triggering" conditions for Federal prosecution are too restrictive.

NARD raised particularly vigorous objections to the dollar threshold, which officials at the independent pharmacy group charged "might just as well be $50,000!"

Although the author of the compromise bill, House Crime Subcommittee Chairman William Hughes (D-N.J.), agreed to an NACDS proposal lowering the original $1,000 dollar trigger to $500, NARD officials concluded that this "will not help us" because "our members get shot for one bottle of Dilaudid."

In House testimony earlier this year opposing Hughes' measure, one NARD witness told Congress that "three bottles of Dilaudid 100s might cost the pharmacist about $80, but bring $15,000 on the street. Many criminals will commit a robbery for much less than the $80 replacement value of those Dilaudids," he added, "but the robbed pharmacist would need to have surrendered *19* bottles with a street value of $95,000 to qualify for Federal help."

Other restrictions in the compromise bill—including the provision allowing Federal prosecution of drug store robberies resulting in "bodily injury" to pharmacists and customers—also drew fire from NARD as too restrictive.

Although Hughes later compromised on this point to permit Justice Department prosecution of cases involving "pistol whippings," "psychological trauma" and other "significant" (but not life-threatening) injuries, NARD stepped up its opposition to the bill.

In the end, however, Senate pharmacy crime bill backers sympathetic to NARD's concerns concluded that further resistance to the compromise would doom all hope for enactment of any controlled-substance robbery law this year.

Retailers concerned over vendor plans for in-store OTC labeling

WASHINGTON—Chain and independent drug stores will be expected to post shelf markers or display signs listing all inactive ingredients in a wide range of over-the-counter drug products, under the Proprietary Association's proposed new voluntary disclosure program.

The thrust of the association's labeling initative is to head off pending Federal legislation mandating such disclosures by manufacturers of thousands of OTC drug products. (Current law requires only that active ingredients be listed on labels.)

PA member firms participating in the program will print alphabetical-order lists of the inactive ingredients on the labels of all of their nonprescription drug products, except those in packages too small to carry such a listing.

For OTC in "very small packages," retail pharmacies will be expected to cooperate by posting signs or labels listing inactive ingredients on "counter or shelf displays" next to those drugs, PA officials told *Drug Store News*.

Although a spokesman for the OTC manufacturers' association acknowledged that retail pharmacy groups were not consulted prior to the announcement of the new label disclosure plan late last month, she predicted that the program would not meet with any serious drug store industry resistance.

But the proposal has already raised eyebrows and concerns in key drug store industry circles.

Although PA told *DrSN* that manufacturers would bear the cost of supplying drug stores with any necessary signwork, officials at NACDS noted that retailers would likely be responsible for the expense of maintaining those small package ingredient disclosure notices.

In addition, NACDS officials voiced concern over the possibility that the OTC ingredient signs may reduce the number of available shelf facings in pharmacies and add to "visual clutter" in drug stores.

The darkest retail industry reservation, however, involves

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Home health, video star at Assoc./Affil. show

NEW YORK—Convalescent aids, unique gift and promotional items and video cassettes received a healthy share of attention during the combined Associated/Affiliated spring buying show at the Omni Park Central Hotel here May 21 to 23.

Ira Shain, president of Associated, and Phil Weinstein, president and general manager of Affiliated, both heralded the show as a success with a greater turnout than last year—89 chains represented compared to 83 in 1983. There were 110 exhibitors—a sell-out—with 27 new vendors.

"This was our third combined show, and the best so far," said Weinstein. "The buyers stayed longer and the traffic flowed better."

Shain said he was particularly pleased with the number of new vendors. "It really keeps the show alive."

Both men pointed out that home health care had been of particular concern to buyers. There were three vendors in this category, Timex, Higgs—exhibiting for the first time at this show—and Robert Kwait.

Shain said that more and more drug store chains were buying this category. "Even if they don't have a freestanding unit, they should have a section," he added.

Weinstein said that during Affiliated meetings that preceded the show, members broke into seven groups and discussed ways to compete against supermarkets, combos and deep-dis-

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—News in brief—

Pay 'n Save 1st qtr. net income drops 64%

SEATTLE—First quarter net income at Pay 'n Save plummeted 64% to $1.01 million from $2.8 million during the same period last year.

Sales posted by the diversified, Seattle based retailer rose 18% to $303 million from $256 million the previous year.

Earnings per share for the first quarter ended April 28 declined to 7¢ per share from 20¢ per share during the previous quarter last year.

Calvin Hendricks, Pay 'n Save's vice chairman and ceo, attributed the decline in earnings in part to closing of the sporting goods departments in the company's Ernst Home Center stores. Hendricks also cited higher than expected start-up costs of Pay 'n Save's Price Saver warehouse division and its newly acquired wholesale drug subsidiary, Northwestern Drug.

Revco completes Odd-Lot acquisition

TWINSBURG, Ohio—Revco has completed the acquisition of Odd-Lot Trading Company, one of the nation's largest wholesalers and retailers of close-out merchandise. Under the "pooling of interests" transaction, Revco issued 4.4 million new shares of common stock to purchase the 66-unit chain.

Peoples' subsidiary gets new ceo

ALEXANDRIA, Va.—Peter M. Alexander has been elected chairman of the board and ceo of B. H. Krueger, the manufacturing subsidiary of Peoples Drug Stores, Sheldon W. Fantle, Peoples chairman, president and ceo, announced. For the past five years Alexander was with ATI Inc., Westport, Conn., most recently as corporate vp and general manager of the Chem Spray division. Krueger manufactures private brand powders, creams, lotions and stick deodorants for a number of national chains, including Peoples. It is also involved in contract packing services for many department store lines of fragrances and cosmetics.

Bob Cole, former Cole chairman, dies

KNOXVILLE, Tenn.—Robert Cole, former chairman of the board of Cole Drug, died last month at the age of 78. Cole, an honorary board member of the NACDS, headed the chain, which had stores in Alabama and Tennessee, until it was merged into Revco in 1971.

Medicare-Glaser net increases 13.8%

ST. LOUIS—Medicare-Glaser posted a 13.8% increase in net earnings for the fiscal year ended March 31, to $1.1 million from $970,000 a year ago. Sales for the year rose 10.1% to $76.8 million from $69.7 million. Earnings per share were 43¢ compared to last year's 41¢.

In the fourth quarter, earnings increased 34.1% to $114,000 from $85,000. Sales for the period were up 1.6% to $18.5 million.

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Regional insert, pages 26A and 26B
Vol. 6, No. 13 June 11, 1984

FINANCIAL

Adams 1st qtr. sales up, earnings flat

PAWTUCKET, R.I.—Earnings were flat for the first quarter ended March 31 at Adams Drug, despite a nearly 6% increase in sales.

Sales for the first quarter increased to $74.8 million from $70.6 million during the same period last year. First quarter net earnings rose slightly to $570,000 from $568,000.

According to Jim Salmanson, executive vp of 425-unit chain, the fact that Easter fell during the second quarter this year held down earnings. In addition, Salmanson said the chain's LIFO charges were more of a factor during the first quarter.

Looking ahead to the second quarter, Salmanson expects net income to rebound. He cited a strong Easter selling season and better weather conditions.

Supermarkets General net drops 2%, but sales rise

WOODBRIDGE, N.J.—Supermarkets General, parent company of Pathmark food and drug stores, reported that net earnings for the year ended April 30 declined 2% to $38.7 million from $39.6 million last year. Sales increased to $3.6 billion from $3.3 billion.

Leonard Lieberman, president and ceo, said the results were "significantly impacted" by a strike in 47 supermarkets that began in mid-January and continued through the first 12 days of the fourth quarter.

In the fiscal year's final quarter, net profits decreased 32% to $4.2 million, while sales rose to $886.1 million from $822.8 million.

The company said it expects to open seven additional free-standing drug stores—including three deep discounters in Baltimore—during 1984.

Fay's 1st qtr. profits jump 63.5% to $1.3M

LIVERPOOL, N.Y.—Fay's Drug Co. reported that net earnings for the first quarter ended April 30 jumped 63.5% to $1.3 million from $814,000 in the corresponding period last year.

Earnings per share, adjusted to reflect the issuance of one million additional shares of common stock in May 1983 as well as a 2-for-1 split in September, increased to 10¢ from 7¢.

For the quarter, revenues rose to $82.6 million, 20.5% higher than the $68.5 million recorded in the same period last year.

Hency A. Panasci Jr., chairman, said the "performance reflected additional gains in all merchandise categories. Our prescription departments continue to benefit from the AccuFays computerized pharmacy system, which improves the productivity of our pharmacists and provides valuable services to our customers. Pharmacy sales increased 24% in the first quarter and created additional customer traffic in our stores."

During the first quarter, Fay's opened new stores in Niagara Falls, Plattsburgh and Troy, N.Y., and Scranton, Pa.

Pay Less cuts ad budget to hike gross

WILSONVILLE, Ore.—A planned reduction in advertising slowed sales growth at Pay Less NW for the first quarter, but at the same time improved the chain's gross margins.

As a result, the company reported a 43% increase in net earnings, for the period ended April 30, to $7.3 million from $5 million in last year's quarter.

Earnings per share rose 40% to 21¢ from 15¢. The latter figure has been adjusted to reflect a 2-for-1 stock split declared in May 1983.

Pay Less sales for the quarter increased 5% to $203.9 million from $195 million a year ago.

Edward B. Hart, chairman, president and ceo, said that in addition to a reduction in ad expenses, Pay Less' bottom line benefited from "expanded utilization of our distribution system."

Chain drug stocks drop in market decline

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		From 05-04/84 - 05/21/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate						Last Fiscal Year (Per Share)		
Name	Symbol	High	Low	Close	Monthly Change Amt	Monthly Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct			Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																											
Adams Drug	ADG	14.25	11.00	11.00	-3.00	-21.43	24.88	11.00	-.55	-3.16	2.75	-18.58	1.74	.62	F	55.3	40.0	2.4	6.3	.04	4	03-09-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	33.75	30.75	30.88	-1.25	-3.89	44.00	26.38	.50	-1.74	-1.62	-2.95	3.61	.92	F	34.2	62.0	1.5	8.6	.64	2.1	03-22-84	7983.7	117.9	1.4	11.95	12.14	0183
Begley Drug	BGLY	16.00	15.50	16.00	.00	.00	24.00	15.50	-.07	1.56	5.16	94.00	1.47	1.46	N	NC	-10.0	1.4	11.0	.68	4.3	04-13-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	10.50	9.75	9.75	-.63	-6.02	14.50	9.75	-.35	-.09	-2.72	50.22	.53	.14	F	35.8	22.0	3.0	18.4	.00	0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Dart Drug Corp	DRUGA	85.00	81.00	84.00	.00	.00	148.00	57.00	.97	.81	-2.68	6.35	5.43	6.32	N	207.2	67.0	3.1	9.0	.13	2	03-05-84	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	5.25	4.75	4.75	-.50	-9.52	9.31	4.75	-.36	-1.99	-1.24	52.04	.55	.65	N	NC	NC	2.6	7.3	.00	0	01-25-84	26.7	.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	23.75	22.25	22.50	-1.13	-4.76	29.88	21.63	.02	-.19	-2.73	-24.80	1.91	.30	S	16.3	6.0	3.1	10.5	1.00	4.4	03-12-84	2325.0	71.7	2.0	30	15.17	0783
Fay's Drug	FAY	9.88	9.25	9.88	.50	5.33	14.50	8.81	-.06	1.42	-1.35	52.42	.60	.13	F	27.6	56.0	2.6	16.5	.14	1.4	03-19-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	13.38	11.88	12.63	-.75	-5.61	20.50	10.19	-.15	.97	5.31	8.90	.96	.29	F	43.2	99.0	2.0	13.2	.20	1.6	03-29-84	193.8	3.9	1.7	1.90	4.95	0183
Hook Drugs	HOOK	22.50	20.00	20.00	-2.50	-11.11	29.75	18.50	.34	-1.24	-4.17	36.61	2.01	.49	F	32.2	7.0	2.7	10.0	1.00	5.0	04-09-84	320.5	8.7	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	41.75	39.13	39.88	1.00	2.57	50.13	37.75	.10	-.04	.83	4.33	3.43	.51	F	17.4	10.0	3.0	11.6	1.28	3.2	05-22-84	1214.4	36.4	1.9	.00	20.32	0184
Pay N Save	PAYN	18.50	16.00	16.00	-2.50	-13.51	28.75	16.00	-.04	-2.54	4.43	-.90	2.02	.61	F	43.2	1.0	2.5	7.9	.60	3.8	05-21-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	16.50	15.25	15.50	-.75	-4.62	20.19	14.00	-.06	.44	.96	58.26	1.35	.28	F	26.1	1.0	2.9	11.5	.34	2.2	06-18-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	16.25	14.38	14.50	-1.50	-9.38	22.38	14.00	-.02	-.90	1.53	53.28	1.02	.37	Q	50.0	11.0	1.6	13.1	.24	1.7	05-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	28.00	24.38	25.25	-1.88	-6.91	37.50	24.00	-.36	-1.27	-5.21	.68	2.13	.56	N	29.7	24.0	3.7	10.3	.68	2.7	02-17-84	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	20.50	17.50	18.00	-1.75	-8.86	23.44	17.50	.10	-1.36	-3.87	15.75	1.47	.29	F	24.5	31.0	5.1	12.2	.41	2.3	04-10-84	1223.3	62.2	1.7	59	6.19	0283
Thrifty Cp	TFD	15.63	14.88	15.13	.13	.83	25.25	11.50	.57	.00	-.80	-5.26	1.13	.28	S	28.0	19.0	1.9	11.8	.52	3.4	05-04-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	35.25	31.00	31.00	-3.75	-10.79	40.38	30.00	.05	-.49	1.32	-30.60	2.24	.57	S	29.0	34.0	2.9	12.3	.72	2.3	05-14-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	25.13	21.25	21.25	-3.50	-14.14	39.50	21.00	-.14	-2.00	-2.53	-20.03	1.60	.22	S	14.6	38.0	1.4	12.4	.32	1.5	04-25-84	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	36.00	34.50	34.50	-1.50	-4.17	51.00	32.50	.01	.22	.15	-31.23	3.44	.38	N	11.7	5.0	1.6	9.6	2.40	7.0	05-25-84	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	24.75	23.00	23.00	-1.75	-7.07	28.50	22.25	-.18	-.69	-3.05	-5.40	.94	1.43	N	NC	103.0	.7	16.1	.00	0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	15.38	13.25	13.50	-2.00	-12.90	21.00	11.19	-.45	-.53	-.57	18.29	.89	.51	N	113.3	97.0	4	14.1	.00	0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	12.75	12.00	12.25	-.50	-3.92	18.75	12.00	-.24	.18	.19	52.62	1.41	.48	Q	53.3	12.0	1.2	8.9	.36	2.9	03-09-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	21.13	19.38	19.38	-.50	-2.52	28.75	15.50	.38	-.78	-.89	19.93	1.78	.43	F	31.8	63.0	1.8	10.9	.14	.7	03-30-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	43.88	41.75	41.75	-1.00	-2.34	53.38	38.25	.04	-.17	-1.88	-3.60	2.86	.49	F	20.6	28.0	11.9	14.6	1.20	2.9	04-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	53.75	51.75	52.38	-2.13	-3.90	55.75	42.88	-.05	.43	-1.56	.87	4.00	.41	F	11.4	17.0	12.9	13.1	2.64	5.0	05-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	17.63	16.50	16.88	-.75	-4.26	31.31	15.63	.13	.28	-3.11	-7.41	1.45	.10	Q	7.8	24.0	11.8	12.3	.33	2.0	03-23-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	27.25	27.25	27.25	.00	.00	34.47	24.75	-.01	.59	3.80	-40.00	2.85	.47	N	17.6	14.0	9.7	8.7	1.00	3.7	02-24-84	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	45.25	43.13	43.25	-1.63	-3.62	48.00	35.75	-.23	-.42	1.78	-10.33	3.00	.41	F	15.8	19.0	10.4	14.4	1.60	3.7	04-02-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	23.00	20.25	20.38	-2.50	-10.93	28.75	18.00	-.11	-.85	-3.82	28.38	2.12	.31	N	15.5	35.0	5.7	8.8	.48	2.4	04-13-84	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	25.63	21.50	22.88	-2.88	-11.17	25.75	10.38	1.54	-.41	-2.59	-17.33	NA	NA		NA	NA	NA	NA	.12	.5	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	22.88	18.25	18.38	-4.50	-19.67	40.75	16.13	-.12	-2.47	-2.84	5.08	.48	-.02	N	-3.5	57.0	13.4	34.0	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	7.13	6.13	6.50	-.38	-5.45	15.25	4.88	.46	-1.44	3.51	-12.60	.22	-.20	F	-47.6	33.0	5.1	29.5	.00	.0	00-00-00	37.0	1.9	1.8	.65	3.81	1182
Key Pharm	KPH	13.88	11.63	11.88	-1.38	-10.38	25.94	11.63	-.31	-1.04	-6.10	32.42	.51	.17	F	50.0	60.0	14.8	23.3	.16	1.3	03-12-84	127.3	18.8	1.6	.03	1.14	1282
Lilly Eli Co	LLY	63.63	60.00	60.00	-1.63	-2.64	68.38	56.75	-.23	-.35	-1.78	3.66	6.13	.71	F	13.0	12.0	15.1	9.8	2.90	4.8	05-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.00	2.75	2.88	.00	.00	4.38	2.00	.50	.54	6.19	18.05	-.49	.54	Q	NE	-57.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	33.63	31.75	31.75	-1.50	-4.51	48.00	27.25	-.12	-.50	-.42	33.58	.78	.46	N	69.6	17.0	8.2	28.3	.40	1.3	06-14-84	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	92.50	88.50	89.88	-.38	-.42	104.63	83.63	-.24	.08	-1.27	8.40	6.10	.58	Q	10.2	7.0	13.9	14.4	3.00	3.3	03-01-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	81.00	74.25	74.25	-6.25	-7.76	[illegible]	60.00	-.08	-.74	-9.54	31.22	5.15	1.25	N	25.7	17.0	5.2	12.2	1.76	2.4	05-24-84	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	5.50	4.75	5.00	-.38	-6.98	11.25	4.38	.32	1.02	-2.14	15.83	-.03	-.09	N	NE	14.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	34.25	30.88	31.13	-2.88	-8.46	44.75	30.88	-.18	-.96	-.22	13.00	2.73	.62	F	29.3	17.0	11.9	11.4	1.32	4.2	05-14-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	PEID	4.38	3.75	3.75	.00	.00	6.09	2.75	.43	-2.80	3.56	22.79	.10	.03	N	30.0	56.0	6.1	28.8	.05	1.3	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	18.63	16.63	16.88	-.38	-2.17	29.38	15.88	.18	-.17	.29	-46.77	2.40	.42	F	21.2	20.0	10.3	7.0	.68	4.0	05-04-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	31.13	29.50	30.13	-.88	-2.82	34.25	25.25	-.05	.15	.93	-7.25	2.02	.22	F	12.2	11.0	8.9	14.9	1.08	3.6	05-04-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	14.50	12.13	12.50	.13	1.01	29.63	11.63	.14	-.86	4.69	18.70	1.13	-.39	N	-36.7	2.0	5.2	18.7	.32	2.6	03-14-84	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	43.00	37.50	38.38	-3.75	-8.90	55.88	37.50	-.33	-1.76	-2.18	26.04	2.39	-.17	F	-6.6	14.0	11.6	16.1	.52	1.4	05-08-84	946.0	110.0	2.2	4.10	13.32	1282
Squibb Corp	SQB	43.50	40.00	40.25	-2.38	-5.57	55.63	38.25	-.14	.26	-5.78	-3.61	3.31	.30	F	9.9	6.0	9.8	12.2	1.44	3.6	05-14-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	25.75	24.75	24.75	-.38	-1.49	29.63	23.50	-.16	.28	-.63	-16.19	2.24	.13	Q	6.0	7.0	7.2	10.9	1.16	4.7	05-01-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	44.25	41.75	42.88	-.38	-.87	61.50	37.75	.30	.51	.59	16.21	4.30	.40	S	9.9	36.0	17.2	9.7	1.60	3.7	05-07-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	23.38	20.50	22.38	-.25	-1.11	26.00	12.75	.45	1.12	-3.26	-14.35	1.65	.49	F	42.2	89.0	11.0	13.6	.40	1.8	03-26-84	149.4	16.5	4.5	.00	4.53	1182
Upjohn Co	UPJ	70.25	66.00	66.00	-.50	-.75	72.25	50.75	.06	-.76	-2.61	43.06	5.28	1.65	Q	38.7	2.0	8.1	11.2	2.56	3.9	03-30-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	31.13	29.50	29.75	-1.38	-4.42	36.75	26.38	-.60	.80	-.60	-14.48	2.51	.46	F	22.4	-2.0	6.5	11.9	1.48	5.0	04-30-84	3108.3	200.5	1.9	7.53	17.75	1283

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISER

COMBS
Excedrin
Excedrin
Excedrin
Advil
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PHARMACY
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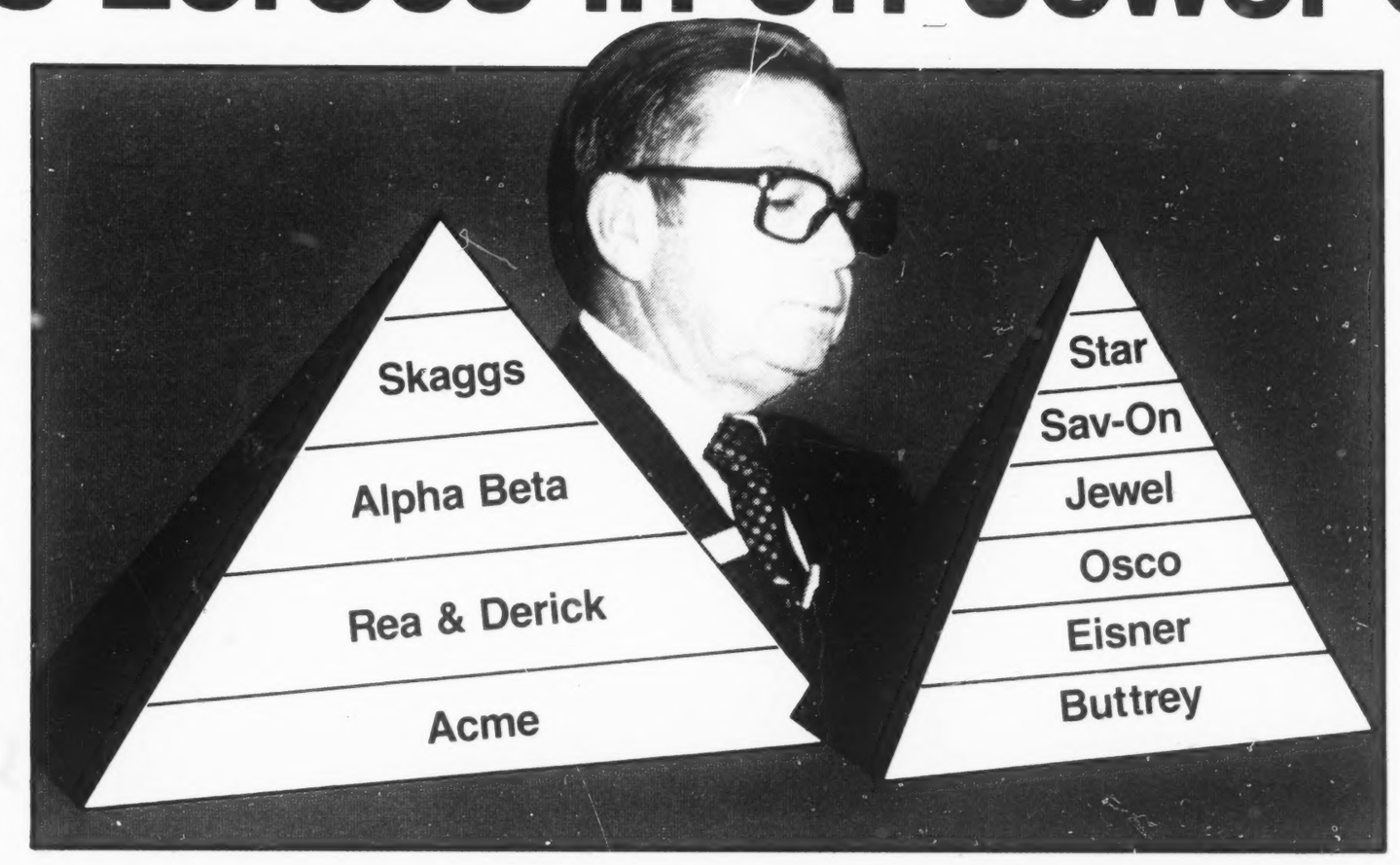
DRUG STORE NEWS

Vol. 6 No. 14 | Serving the Retail Drug Store Industry for 55 years | Published by Lebhar-Friedman Inc. | June 25, 1984

Skaggs zeroes in on Jewel Cos.



By Jim Ricchiuti

CHICAGO—The battle lines have been drawn in what may become the most intense corporate struggle in chain drug history.

Earlier this month American Stores proposed a $1 billion takeover bid for Jewel Companies. The merger, if implemented, would create a huge food and drug retailing conglomerate with total sales in excess of $14 billion. Sales from the drug division alone would top $4 billion.

The unfriendly proposal came only weeks after Jewel chairman and ceo Weston Christopherson rejected an informal offer by L. S. Skaggs, American Stores chairman and ceo.

In a letter sent to Skaggs shortly after a meeting between the two ceo's, but before Skaggs made his offer publicly Christopherson stated that a "combination would not be in the best interest of Jewel and its people at this time."

But despite Jewel's initial refusal, American Stores is seeking to acquire 67% of Jewel's 15.4 million shares of common and preferred convertible stock outstanding. American indicated that it would offer $70 a share for common stock outstanding and $49.91 per share for preferred stock outstanding. The remaining 33% of Jewel's shareholders will be offered $70 a share in securities.

Among the defenses available to Jewel, if, as some industry sources and security analysts expect, they decide to fight the proposed merger would be to attempt to make an acquisition of its own. There also is a possibility that Jewel will seek a white knight to initiate a friendly offer for the Chicago based food and drug concern.

American Stores, reacting to reports that Jewel may try to counter the takeover by making its own acquisition, threatened to reduce the $70-a-share offer. In a letter to the Jewel board, L. S. Skaggs said that American might also withdraw the cash offer and instead offer securities as the "form of consideration" for the entire proposal.

Analysts who follow both companies were divided over

Continued on page 54

Denver summit outlined Skaggs' management plan

The April 25 meeting in Denver between W. R. Christopherson, chairman and ceo of Jewel Cos., and L. S. Skaggs, chairman of American Stores, was a cordial one.

While the main topic of the meeting was the proposed merger, the two ceo's also discussed the close relationships between the founders of various divisions of both companies, as well as the two previous, but unsuccessful attempts to merge the companies.

In his letter to Christopherson shortly after the meeting, Skaggs wrote: "As we have also discussed, our companies share a common ancestry, since your Osco subsidiary was originally founded by one of my uncles, L. L. Skaggs, and Jewel and Skaggs share a common director during the 1960's in Paul Stratton. . . . I cannot help but be struck by the significant historical intertwining of our organizations and the destiny which seems to compel this combination."

Continued on page 54

American unveils FAD— new deep-discount store

SALT LAKE CITY—American Stores has launched a deep-discount food/drug warehouse store here and will open at least one and possibly two more by year end.

The first limited-assortment store, called Skaggs FAD (Food and Drug at Discount), is 31,000 sq. ft. (18,000 sq. ft. selling) and is located 20 miles from American Stores headquarters on a site formerly occupied by a Skaggs Drug Center.

FAD carries 2,500 nonperishable food items and 500 health and beauty aid products. Food items are sold only in case lots, while H&BA is stocked in shelf packs of 3, 6 and 12.

One reliable source said FAD is working on an average gross margin of only 6%.

What makes the store radically different from other warehouse outlets is its merchandising concept: Traditional drug

Continued on page 54

Operates 68 units

Quael files Chapter 11 petition

By Faye Brookman

DETROIT—Quael Corp., one of several offshoots of the old Cunningham Drug Store chain, has filed a petition to reorganize under Chapter 11 of the Federal Bankruptcy Law.

The petition filed in the U.S. Bankruptcy Court in Detroit seeks "the necessary time to continue operating as a viable business," according to Ray A. Shapero, chairman and ceo.

Letters sent to suppliers and store managers said that present management will be retained and that the business will continue to operate as usual.

Ray Shapero, chairman and ceo of the troubled Quael Corp.

Shapero termed the action the "most positive of several alternatives to resolve a loan repayment schedule with Quael's prime lender, First of America Bank-Detroit."

Local sources say Quael is hoping to use the protection of Chapter 11 to reorganize and "perhaps dump several stores."

Quael operates 68 outlets, primarily in resorts, office and hotel (ROH) complexes. The corporation was founded last year when former Cunningham chief Shapero teamed up with William E. Pannill, a former Peoples executive. The two

Continued on page 53

Pay Less looks to future with deep-discount

WILSONVILLE, Ore.—After more than a year of study, Pay Less NW, operating 151 conventional superdrug stores, is launching two new formats: a deep-discount drug store and a 10,000-sq.-ft. Revco-type store.

The first deep-discount store, a revamp of a conventional 30,000-sq.-ft. Pay Less store in Mall 205 on Portland's east side, will open around July 1. The 10,000-sq.-ft. unit will open this fall. Pay Less will not reveal the location, but it will probably be in Oregon near chain headquarters.

The name selected for the deep-discount division is Value Giant. Thus, Pay Less returns to the name of the northern California chain it acquired 10 years ago and changed to the Pay Less logo. Why the return to Value Giant? "Because," says a chain exec, "it's a good name."

Pay Less decided to go with deep-discount because, an exec notes, "the concept is moving West."

Pay Less was faced with a difficult decision on deep-discount. Explains an exec: "We could have sat tight and continued operating only superdrug stores. We realize there are limited locations for deep-discounters, and while they may have hurt us in the short run, we could win by the numbers—especially if we had a lot of stores in one area. However, we decided to protect our future business by opening deep-discount stores. These stores may be competing with our conventional stores—but at least it will keep others from getting the business."

A name has not yet been selected for the 10,000-sq.-ft. units. The stores will be keyed to small towns with population of 5,000 to 10,000 which cannot support a superdrug store. Unlike Value Giant, the 10,000-square-footers will not be revamps of Pay Less stores. They will be new locations—either built from the ground up or existing buildings.

Asked what kind of volume and gross margins Pay Less is projecting for the 10,000-sq.-ft. store, a Pay Less exec told *Drug Store News:* "We don't know right now—but my guess is that volume will be around $1.5 million to $1.8 million." This compares with almost $6 million for the conventional 30,000-sq.-ft. Pay Less store.

The exec added that "while I don't know the margins, I suspect they could be higher—not because of price differentials—but because we will not be running heavy loss leaders on grocery items. Also, we will not have a big ad budget. The store will have a traditional drug store mix: H&BA, pharmacy, greeting cards, cosmetics, housewares."

Late News

MALONE & HYDE, Memphis-based food distributor and owner of the Super D drug store chain, will be purchased by a group led by the corporation's chairman and president, Joseph R. Hyde.

Although the specific amount was not disclosed, the purchase price is believed to be about $580 million or $35 a share.

The corporation said this was a friendly acquisition offer made by the group that also includes other Malone & Hyde senior executives along with Kohlberg, Kravis, Roberts & Company.

—News in brief—

Revco buys Stanton

TWINSBURG, Ohio—Revco D.S. Inc. has purchased the Stanton Corporation of Chicago for an undisclosed amount. Stanton markets written tests that measure honesty among job applicants and current employees. Two other Revco security concerns, Citadel Alarm and A. Madley Corporation, will be merged with Stanton.

"Internal dishonesty costs American business over $40 billion annually, more than burglary or robbery," says Revco's chairman Sidney Dworkin. "Ultimately, the consumer must compensate for this loss." Dworkin adds that in every case where a client uses Stanton, shrinkage has been reduced.

Wholesaler groups eye merger

ALEXANDRIA, Va.—The National Wholesale Druggists Association (NWDA) and the Drug Wholesalers Association (DWA) are jointly investigating the possibility of merging.

Each association has appointed a five-member committee to investigate the possibility of a merger, and a recommendation will probably be made by late summer or early fall.

A merger would give the wholesaler industry a united front in the legislative arena and would also allow both memberships to share a common pool of resources.

If a merger is effected, DWA, a nine-year-old association representing approximately 70 other companies with 75 distribution centers, would be absorbed into NWDA which represents 115 owner companies operating more than 300 distribution centers. Now more than two-thirds of DWA's present members also belong to the 108-year-old NWDA.

Sources say that if the merger is approved, Charles Trefrey, who is the executive vp of DWA, would join NWDA as executive vp. He would eventually succeed Bill Ford as NWDA president.

Jewel converts Star units to Osco name

BOSTON—Jewel Companies has replaced some of its problem Star supermarket units in this area with Osco drug stores. Sources say that the Chicago-based Jewel has converted at least three of its 15,000-sq.-ft. to 20,000-sq.-ft. Star markets to Osco units and that more may be converted in the future.

Alco acquires Brown Drug

VALLEY FORGE, Pa.—Alco Standard, parent company of Alco Health Services drug wholesalers, announced May 18 it would purchase Brown Drug Co., a drug wholesaler headquartered in Sioux Falls, S.D.

The terms of the purchase were not disclosed. However, a spokesman for Alco said there were no plans to change the management or the name of Brown Drug, which has three locations in South Dakota.

Alco Health Services is the third-largest pharmaceutical distributor in the United States and serves 23 states. In addition to drugs, it also wholesales health and beauty aids and general merchandise. The spokesman said the wholesaler will have earnings of $8 million this year.

Apex wins appeal on protesters

NOVI, Mich.—Apex Drugs has won an appeal from the National Labor Relations Board to halt the protesters outside of its stores. For two years, picketers have attempted to stop customers from shopping Apex because the chain hired nonunion employees. The stores, former Cunningham outlets, had been unionized prior to Jim Devine's acquisition of the units to form Apex.

"Now we've won," says Devine. "The picketers are gone and we remain nonunion."

Revco announces appointments

TWINSBURG, Ohio—Revco D.S. Inc. announced several new appointments earlier this month. Leonard Cohen, formerly assistant vp of personnel, has been promoted to the post of vp of personnel. Richard Harpster, who had most recently been director of taxes, was named assistant vp of taxes. Mark Schroeder, who joined Revco in 1979 as a real estate representative, was appointed assistant vp of real estate. The chain also named Douglas J. Lightner assistant treasurer. Lightner joined Revco in 1983 as director of financial planning.

Walgreens wins award

NEW YORK—The Fragrance Foundation named Walgreens as retailer of the year during its annual fragrance week celebration.

Vern Brunner, sr. vp marketing, accepted the award.

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Vol. 6, No. 14 June 25, 1984

Compromise generics bill gets Congressional priority

WASHINGTON—The final version of Rep. Henry A. Waxman's Drug Price Competition bill has been put on a fast track in Congress.

The measure, which was put in the hopper earlier this month, represents a major compromise between brand-name manufacturers and the generic drug industry on one of the most heated drug approval issues to come along in some time.

Specifically the bill would grant generic manufacturers fast-track Food and Drug Administration approval of generic versions of drugs marketed after 1962.

For brand-name drug producers, the legislation would "restore" up to five years of patent protection lost during the F.D.A. market clearance process.

At presstime, both the House Energy and Commerce Committee, chaired by Waxman, and the House Courts Subcommittee were planning hearings and mark-up sessions on the bill before this month's scheduled recess for the Democratic National Convention.

According to aides of the California Democrat, the new bill is necessary because "there is a procedure at F.D.A. for approving generic copies of drugs first approved before 1962, but there is no such generic approval procedure for drugs approved for the first time after 1962."

The bill generally extends the ANDA procedures used to approve generic copies of pre-1962 drugs to "new" products if the "generic is identical to the original drug or so similar that F.D.A. has determined the differences do not require safety and effectiveness testing," Congressional aides explained.

Generic manufacturers have been pushing for this type of legislation for several years because drug sponsors filing ANDAs are not required to repeat safety and effectiveness tests conducted by the original drug manufacturer. As a result, F.D.A. approval time can be substantially reduced.

According to Congressional architects of the legislation, the new bill would "make available for approval as generics over 150 drugs approved since 1962 that are off patent."

Specific products covered by the pending legislation include "best sellers" such as Valium, Inderal, Motrin, Dyazide,

Continued on page 53

Begley launches home health plan

RICHMOND, Ky.—The Begley Drug Co. is rolling out a new convalescent aids marketing program that includes planogrammed departments inside all 46 drug stores, centralized warehousing and a beefed-up advertising budget.

Although the chain has carried home health care products for many years, this is the first coordinated approach to selling such items inside individual drug stores.

The chain began installing the new planogrammed 8-ft. and 16-ft. departments (depending on store size) in April. Robert Begley, president and ceo, said he expected that the new departments would be completed chainwide by July 1.

The departments carry a variety of convalescent aid and exercise equipment as well as a Begley catalog and order forms.

The new marketing program also calls for centralized distribution of convalescent aids not only to the drug stores but also to Begley's four freestanding home health care centers. Previously, most equipment—with the exception of franchised lines—was housed at the main freestanding store in Lexington. Now such items (except those franchised) will be warehoused at the Begley distribution center in Richmond.

This will allow weekly deliveries to each store, Begley said. Customers should never have to wait more than one week for any item, and delivery can be made immediately in emergency situations, he added.

In addition to the Lexington store, Begley operates freestanding convalescent aid centers in Louisville, Hopkinsville and Ashland, Ky. The stores, which range in size from 2,000 to 50,000 sq. ft., are about 2½ years old.

These stores offer 24-hour emergency service and free delivery within a 50-mile radius. They also have an "in-home" respiratory therapist on staff. In addition to service within the stores, the chain has offered for the past 2½ years a toll-free number that customers can call to place orders and ask questions.

It is this toll-free number that sparked the idea for the new marketing program. Begley said he was visiting one of the drug stores at the end of March when a customer asked him if the chain had wheelchairs. Begley told her that it did and that she could order them through the toll-free num-

Continued on page 53

'83 NWDA study

Wholesaler sales rise, profits slip

WHITE SULPHUR SPRINGS, Va.—The average drug wholesaler increased sales aproximately 16% in 1983, according to the preliminary results of the National Wholesale Drug Association's 52nd annual industry survey.

However, profits for the average wholesaler in 1983 took a slight dip for the first time in six years.

According to a preliminary analysis of NWDA's 1983 operating survey of drug wholesalers, sales for the average firm increased 16.7% in 1983 to $32.7 million.

But possibly because wholesalers in 1983 were aggressively pursuing chain and hospital accounts, which typically generate lower margin percentages and lower profits, the industry's overall profitability, measured in its after-tax net profit to net sales ratio, declined from 1.41% in 1982 to 1.37% last year.

Gross profits also shrank, falling below 10% for the first time in the industry's history. According to the survey, gross profit to net sales (after cash discounts) declined 7% in 1983 to 9.77%.

In reviewing the preliminary findings before a regional gathering of NWDA members at the Greenbriar Hotel here, association president William Ford attributed the decline to the industry's aggressive pursuit of mass merchandise, drug chains and hospital accounts, "all noted for being very low in gross-margin performance."

Ford pointed out, however, that the decline in margins was offset by "an almost parallel reduction in operating expenses." Operating expenses to net sales, he pointed out, were down 7% to 7.21% while operating expenses to gross profits were down nearly 8% to 73.82%.

Speaking about the overall findings, Ford called 1983 "a very strong year for drug wholesalers" and said that the findings indicate that the average company in the industry is continuing "to move ahead aggressively in such areas as sales growth, expense reduction, average line extensions, inventory and total asset turns and receivables (days in which bills are outstanding).

He pointed out that a 16% rate of sales growth is particularly significant in a year in which the Producer Price Index (PPI) for both OTC and pharmaceutical products increased more slowly than in recent years.

The PPI for pharmaceutical products increased just 10.7%

Continued on page 53

1983 NWDA wholesaler preliminary operating results

	1982	1983
Average firm sales (millions)	$27.82	**$32.70**
Gross profit (after cash discount) to net sales	10.48%	**9.77%**
Net profit after taxes to net sales	1.41%	**1.37%**
Net profit after taxes to total assets	5.97%	**6.01%**
Net profit after taxes to net worth	15.55%	**15.23%**
Stock turnover rate	7.72 times	**8.47 times**
Average collection period (days)	29.53	**26.44**
Net sales to total assets	4.23 times	**4.45 times**
Total assets to net worth	2.64 times	**2.53 times**
Operating expenses to net sales	7.79%	**7.21%**
Operating expenses to gross profit	74.39%	**73.82%**

SOURCE: NWDA Drug Wholesaler Operating Performance Survey 1983 preliminary results

FINANCIAL

Eckerd rebound continues

CLEARWATER, Fla.—Jack Eckerd Corp. continued its strong rebound from last year's flat earnings growth in its most recent quarter.

Net income for the third quarter ended April 28 increased 8.5% to $18 million, or 48¢ a share, from $16.5 million, or 44¢ a share, in the comparable period last year.

Sales rose to $650.1 million, 10.1% higher than the $590.6 million posted for the same year-earlier quarter.

Stewart Turley, chairman and president, said the company was "gratified" with the results even though sales growth "slowed somewhat" during the quarter. He said the slower growth was the result of "lower promotional sales in comparison to last year," primarily in the drug company.

But he added that Eckerd's "key franchise," prescription sales, "continued to post strong increases. We expect a strengthened promotional program in the fourth quarter, together with continuing consumer confidence and a strong economy to return our sales to their previous level."

Sales for the first three quarters increased 12.6% to $1.97 billion from $1.75 billion in the same year-earlier period. Net earnings for the 39 weeks rose 18.1% to $67.6 million, or $1.80 from $57.2 million, or $1.53 per share.

For Eckerd Drug, the company's principal subsidiary, third-quarter sales increased 8% to $561.4 million from $519.7 million a year ago. Operating profits were up 15.3% to $38.5 million from $33.4 million. Third-quarter comparable store sales, for units open a year or more, increased a modest 2.8%.

Eckerd Drug's nine-month sales increased 11.8% to $1.68 billion from $1.51 billion, while operating profit rose 22.7% to $134.8 million from $109.9 million.

Since the beginning of the fiscal year, Eckerd Drug has added 90 stores, bringing the current total to 1,409 in 15 states.

JByrons, Eckerd's chain of 55 junior department stores in Florida had third-quarter sales of $53.4 million vs. $42.5 million last year, but its operating profit dropped to $1 million from last year's $2.2 million.

American Home Video, the subsidiary that operates 188 VideoConcepts stores in 29 states, reported third-quarter sales of $35.4 million vs. $28.4 million a year ago.

Eckerd's board of directors declared a cash dividend of 25¢ per common share, payable July 2.

Jewel reports 14.8% rise in net earnings

CHICAGO—Jewel Companies Inc. reported that first-quarter net earnings for the 12-week period ended April 21 rose 14.8% to $16.5 million from $14.4 million earned during the first quarter of 1983.

Earnings per share on a fully diluted basis increased 15% to $1.14 from 99¢.

Results from Jewel's United States supermarket operations were responsible for much of the increases. Net earnings from the company's domestic operations climbed 19% to $13 million from $10.9 million the previous year.

First-quarter sales from the United States divisions rose 5.6% to $1.34 billion from $1.27 billion in 1983.

The company's retail drug divisions consisting of 321 Osco drug stores and 176 Sav-On drug stores generated sales increases of 13.8% and 11.5%, respectively. Drug store sales were $431.6 million compared to $382.7 million last year.

However, net earnings from the drug divisions were significantly below 1983 earnings. Earnings plummeted 47% to $5.6 million from $10.8 million in 1983.

Net earnings from Jewel's supermarket division, which includes 325 stores, soared 160% to $19.4 million from $7.4 million the year before. Sales from the supermarket division rose 5.3% to $845 million.

The company attributed the extraordinary earnings gain in its supermarket division in part from wage reductions, salary freezes and benefits cuts.

Average chain drug share drops slightly

Name	Symbol	STOCK PRICE From 05-18/84 - 06/04/84 High	Low	Close	Monthly Change Amt	Monthly Change Pct	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend (% per day) Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend (% per day) Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. rate Amt.	Indicated Dvd. rate Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																											
Adams Drug	ADG	12.88	11.00	12.25	-.13	-1.01	24.88	11.00	-.60	-.93	2.56	18.47	1.74	.62 F	55.3	40.0	2.4	7.0	.04	.3	06-11-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	31.13	28.75	28.88	-2.50	-7.97	44.00	27.25	.06	-1.49	4.86	-25.11	3.61	.92 F	34.2	62.0	1.5	8.0	.64	2.2	03-22-84	7983.7	117.9	1.4	11.95	12.14	0183
Begley Drug	BGLY	16.00	14.50	14.50	-1.50	-9.38	23.00	14.50	.00	-1.39	3.01	-32.35	1.47	1.46 N	NC	-10.0	1.4	9.9	.68	4.7	04-13-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	9.88	8.88	9.25	-.75	-7.50	14.50	8.88	-.34	-1.12	-.62	-23.30	.53	.14 Q	33.3	23.0	3.0	16.5	.00	.0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Dart Drug Corp	DRUGA	85.00	83.00	84.00	.00	.00	148.00	57.00	-.02	-.61	-10.90	-39.39	5.43	6.32 N	207.2	67.0	3.1	9.0	.13	.2	03-05-84	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	5.25	4.75	5.25	.25	5.00	9.31	4.75	-.08	.18	-1.69	-21.05	.56	.56 F	NC	NC	2.1	9.4	.00	.0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	23.00	20.63	22.00	-.75	-3.30	29.88	20.63	-.04	-.29	-.98	16.76	1.91	.30 S	16.3	6.0	3.1	10.3	1.00	4.5	03-12-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	9.88	9.13	9.13	-.63	-6.41	14.50	8.81	.21	-1.22	-.50	-6.81	.60	.13 F	27.6	56.0	2.6	15.2	.20	2.2	06-18-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	13.50	11.50	13.38	.63	4.90	20.50	10.19	.02	3.36	4.63	-10.92	.96	.29 F	43.2	99.0	2.0	13.9	.20	1.5	03-29-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	20.00	19.00	19.50	-.50	-2.50	29.75	18.50	-.28	-.73	-4.98	-17.19	2.01	.49 F	32.2	7.0	2.7	9.7	1.00	5.1	07-09-84	320.5	8.7	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	40.25	34.00	35.75	-4.25	-10.63	50.13	34.00	.04	-.45	-1.15	-16.99	3.43	.51 F	17.4	10.0	3.0	10.4	1.28	3.6	05-22-84	1214.4	36.4	1.9	.00	20.32	0184
Pay N Save	PAYN	17.88	14.38	17.50	.88	5.26	28.75	14.38	-.25	3.29	2.18	-35.12	2.02	.61 F	43.2	1.0	2.5	8.7	.60	3.4	05-21-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	16.25	14.50	16.13	.50	3.20	19.88	14.00	-.01	1.38	2.00	37.75	1.35	.28 F	26.1	1.0	2.9	11.9	.34	2.1	06-18-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	15.00	12.38	13.88	-1.50	-9.76	22.38	12.38	-.40	.70	-1.62	-29.94	1.02	.37 Q	50.0	11.0	1.6	12.5	.24	1.7	05-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	27.50	24.38	26.88	1.50	5.91	37.50	24.00	.18	.75	-7.31	-14.22	2.13	.56 N	29.7	24.0	3.7	11.0	.68	2.5	02-17-84	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	19.75	17.50	19.38	.50	2.65	23.44	17.50	.05	-.08	2.90	-12.55	1.47	.29 F	24.5	31.0	5.1	13.2	.41	2.1	04-10-84	1223.3	62.2	1.7	.59	6.19	0283
Thrifty Cp	TFD	15.25	14.00	15.13	.00	.00	25.25	11.50	.39	.79	-5.23	9.70	1.13	.28 S	28.0	19.0	1.9	11.8	.52	3.4	05-04-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	32.88	28.63	32.13	-.13	-.39	40.38	28.63	-.29	2.26	2.37	1.49	2.24	.57 S	29.0	34.0	2.9	12.7	.72	2.2	05-14-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	22.13	19.50	21.00	-1.13	-5.08	35.63	19.50	-.48	.37	-.08	-15.03	1.60	.22 S	14.6	38.0	1.4	12.2	.32	1.5	04-25-84	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	35.00	32.38	34.38	-.63	-1.79	51.00	32.38	-.08	.34	.63	-6.29	3.44	.38 N	11.7	5.0	1.6	9.5	2.40	7.0	05-25-84	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	23.00	20.00	20.50	-3.00	-12.77	28.50	20.00	-.45	-2.19	2.47	-.53	.94	1.43 N	NC	103.0	.7	14.3	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	14.25	11.38	14.00	.50	3.70	21.00	11.19	-.51	3.91	1.75	-20.73	.89	.51 N	113.3	97.0	.4	14.6	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	12.25	11.25	11.50	-1.00	-8.00	18.50	11.25	-.19	-1.61	-1.63	-28.60	1.41	.48 Q	53.3	12.0	1.2	8.3	.36	3.1	03-09-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	20.63	18.75	20.25	.38	1.89	28.75	15.50	.24	.46	2.42	28.57	1.78	.43 F	31.8	63.0	1.8	11.4	.14	.7	03-30-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	42.63	38.75	41.88	-.25	-.59	53.38	38.25	-.12	.89	2.97	20.39	2.86	.50 Q	20.2	27.0	11.9	14.1	1.20	2.9	04-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	54.88	52.13	54.50	2.50	4.81	55.75	43.38	.12	.27	1.25	-2.94	4.00	.41 F	11.4	17.0	12.9	13.6	2.64	4.8	05-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	17.00	15.63	15.88	-.88	-5.22	31.31	15.63	-.13	-1.02	-2.80	15.37	1.45	.10 Q	7.8	24.0	11.8	11.6	.33	2.1	06-05-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	27.50	27.25	27.50	.25	.92	34.47	25.25	.24	-.45	-.17	-6.82	2.85	.47 N	17.6	14.0	9.7	8.8	1.00	3.6	02-24-84	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	46.63	43.00	45.63	1.88	4.29	48.00	35.75	.03	.55	-.47	8.33	3.00	.41 F	15.8	19.0	10.4	15.2	1.60	3.5	04-02-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	21.00	19.38	21.00	.25	1.20	28.75	18.00	-.21	.75	-7.57	-34.75	2.25	1.69 F	301.7	20.0	5.4	9.3	.48	2.3	04-13-84	323.1	17.5	2.6	1.57	20.15	0383
Cooper Labs	COO	24.50	21.38	23.88	1.00	4.37	25.75	10.38	.75	1.41	-5.52	10.21	NA	NA	NA	NA	NA	NA	.12	.5	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	19.50	15.88	17.63	-2.00	-10.19	40.75	15.88	-.98	.16	-3.01	-24.56	.48	-.02	-3.5	57.0	13.4	32.6	.00	.0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	7.00	6.13	6.88	.25	3.77	15.25	4.88	.44	1.07	-2.43	14.29	.22	-.20 F	-47.6	33.0	5.1	31.3	.00	.0	00-00-00	37.0	1.9	1.8	.65	3.81	1182
Key Pharm	KPH	13.38	10.63	13.00	.75	6.12	25.94	10.63	.02	-.65	.68	-44.78	.51	.17 F	50.0	60.0	14.8	25.5	.16	1.2	03-12-84	127.3	18.8	1.6	.03	1.14	1282
Lilly Eli Co	LLY	61.50	56.63	60.25	-.88	-1.43	68.38	56.63	-.13	.57	-.64	-11.34	6.13	.89 Q	16.3	12.0	15.1	9.5	2.90	4.8	05-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.75	2.75	3.38	.50	17.39	4.00	2.00	.87	2.13	4.22	.44	-.49	.54 Q	NE	-5.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	35.00	30.50	35.00	3.00	9.38	48.00	27.25	.00	1.70	3.17	-39.52	.78	.46 N	69.6	7.0	8.2	31.3	.40	1.1	06-14-84	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	90.50	82.63	88.88	-.88	-.97	104.63	82.63	-.05	.49	3.00	7.02	6.10	.58 Q	10.2	7.0	13.9	14.2	3.00	3.4	05-29-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	77.75	73.25	77.25	2.50	3.34	84.50	60.00	-.12	-.68	-.39	13.19	5.15	1.25 N	25.7	17.0	5.2	12.7	1.76	2.3	05-24-84	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	5.00	4.25	5.00	.13	2.56	11.00	4.25	.13	2.12	-1.94	9.63	-.03	-.09 N	NE	14.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	33.13	30.88	32.88	1.25	3.95	44.75	30.88	-.03	.32	-.43	5.55	2.73	.62 F	29.3	17.0	11.9	12.0	1.32	4.0	05-14-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.88	3.75	3.75	-.13	-3.23	6.00	2.75	.26	-1.42	-3.07	-14.65	.10	.03 N	30.0	56.0	6.1	28.8	.05	1.3	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	18.00	16.50	17.75	.75	4.41	29.38	15.88	.12	.96	-.50	15.23	2.40	.20 Q	9.1	20.0	10.3	7.5	.68	3.8	05-04-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	32.25	28.00	31.75	1.38	4.53	34.25	25.25	.03	2.08	1.15	22.32	2.02	.22 F	12.2	11.0	8.9	15.7	1.08	3.4	05-04-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	12.50	10.00	10.00	-2.50	-20.00	29.63	10.00	-.17	-2.80	-3.29	-45.02	1.13	-.39 N	-36.7	2.0	5.2	14.9	.32	3.2	03-14-84	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	43.25	37.50	42.50	4.88	12.96	55.88	37.50	-.01	1.02	1.52	39.29	2.39	-.17 F	-6.6	14.0	11.6	17.8	.52	1.2	05-08-84	946.0	110.0	2.2	4.10	13.32	1282
Squibb Corp	SQB	40.88	37.50	40.50	.00	.00	55.63	37.50	-.25	1.29	3.65	.39	3.31	.30 F	9.9	6.0	9.8	12.2	1.44	3.6	05-14-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	25.88	23.75	24.63	-.63	-2.48	29.63	23.50	.01	.04	.43	-15.02	2.24	.13 Q	6.0	7.0	7.2	10.8	1.16	4.7	05-01-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	43.25	38.75	39.25	-4.25	-9.77	61.50	37.75	-.01	-.91	.84	13.48	4.30	.40 S	9.9	36.0	17.2	8.8	1.60	4.1	05-07-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	24.13	21.25	24.13	2.13	9.66	26.00	12.75	.25	1.54	-1.44	5.27	1.65	.49 F	42.2	89.0	11.0	14.6	.40	1.7	03-26-84	149.4	16.5	4.5	.00	4.53	1182
Upjohn Co	UPJ	68.13	63.25	66.00	-1.88	-2.76	72.25	50.75	-.01	.19	-1.10	23.82	5.28	1.65 Q	38.7	2.0	8.1	11.2	2.56	3.9	03-30-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	31.13	29.13	31.00	1.00	3.33	36.75	26.38	-.16	.56	-2.72	30.29	2.51	.50 Q	23.6	1.0	6.5	11.9	1.48	4.8	04-30-84	3108.3	200.5	1.9	7.53	17.75	1283

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

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DRUG STORE NEWS®

MERCHANDISER

Retailers are resorting to savvy marketing strategies to snare greater sales in the $10.21 billion cosmetics market.

Buying flair fuels cosmetics sales

By Faye Brookman

Realizing they can no longer be everything to everyone, drug store retailers are seeking methods to provide special perks to entice their own segment of the market. For 1984, buyers report that they'll be forced to work harder and be more creative in order to reach out for the cosmetics customer.

Some chains and independents are trying to set themselves apart from the pack by merchandising prestige brands while others are going the discount route. Still others are emphasizing their service through salesclerks and trained cosmeticians.

Coupon books, glossy catalogs and sweepstakes are other ploys being used to court the all-important female shopper.

"We're all trying to find our own niche, to fill the holes in our own particular marketplace," says Pat Duckworth, cosmetics buyer for People's Drugs in Alexandria, Va.

Another buyer says the situation is comparable to Zayre's current advertising compaign which stresses customer satisfaction. The ad promises that if a customer comes in for an item and it's out of stock, they'll receive an additional 10% off the price.

"That's the kind of program you need. When everyone is after the same pool of customers with the same goods and prices, it boils down to policies," the buyer says.

On the whole, drug chains have been able to entice cosmetics shoppers by offering broad selections, good prices and service. However, many cosmetic buyers believe 1984 will end with many other competitors throwing their hats into the ring.

"I hear Marshall's [discount apparel] now has cosmetics," reports Giant's Julian Levin. "We'll have to see what they're up to."

Then too, the discount stores are moving in. In Michigan, for example, Perry's Eleanor Marshall faces stiff competition from Meijer's Thrifty Acres and K mart.

The most recent Nielsen figures show that discount stores (mass merchandisers) are indeed the outlets gaining sales and gaining them at the expense of drug stores. Although most drug store retailers once feared food stores would overcome them, Nielsen shows that most of the 2.6% share drug outlets lost this year went to mass merchandisers.

Drug stores still hold the lion's share at 61.8%, but mass merchandisers climbed from a 19.8% share last year to 21.6% this year. Food stores stayed about even going from 16% to 16.6%.

The race for the cosmetics dollar becomes even more important when one considers that the current growth rate of the category is almost stagnant. The value of shipments in 1983 climbed only 1.8% to $10.24 billion last year. Small gains of less than 4% throughout the industry signaled that most of the growth was merely price increases. In other words, outlets are all vying for a market that is not growing fast enough to support all of the outlet sources.

To overcome the problem, drug store retailers are searching for the new categories that will entice new users or create new markets. Skin care and ethnic are two categories generally conceded to have growth potential.

"Treatments certainly afford room to grow," reports Gray Drug Fair's merchandise manager John Mirmelstein. He believes that the gradual upscaling of chain cosmetics departments can encourage treatment and skin care sales. Gray Drug Fair, for instance, is remodeling its departments and installing chrome and mirrored fixtures.

As far as ethnic products are concerned, Duckworth has proven that ethnic cosmetics can indeed move as rapidly as black hair care products. She embarked on a program last year for each store to skim its slowest Caucasian items, leaving space for ethnic goods. With the lines in clear view sales have

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Changing Face of Cosmetics

Buying creativity brightens cosmetics sales

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been "phenomenal," she says.

According to the *U.S. Industrial Outlook 1984* published by U.S. Commerce, the number of potential ethnic purchasers of cosmetics is estimated at 44 million.

These are two of the areas drug store retailers expect big things from in 1984. Following is *Drug Store News*' annual synopsis of all cosmetics categories and an outlook for the future.

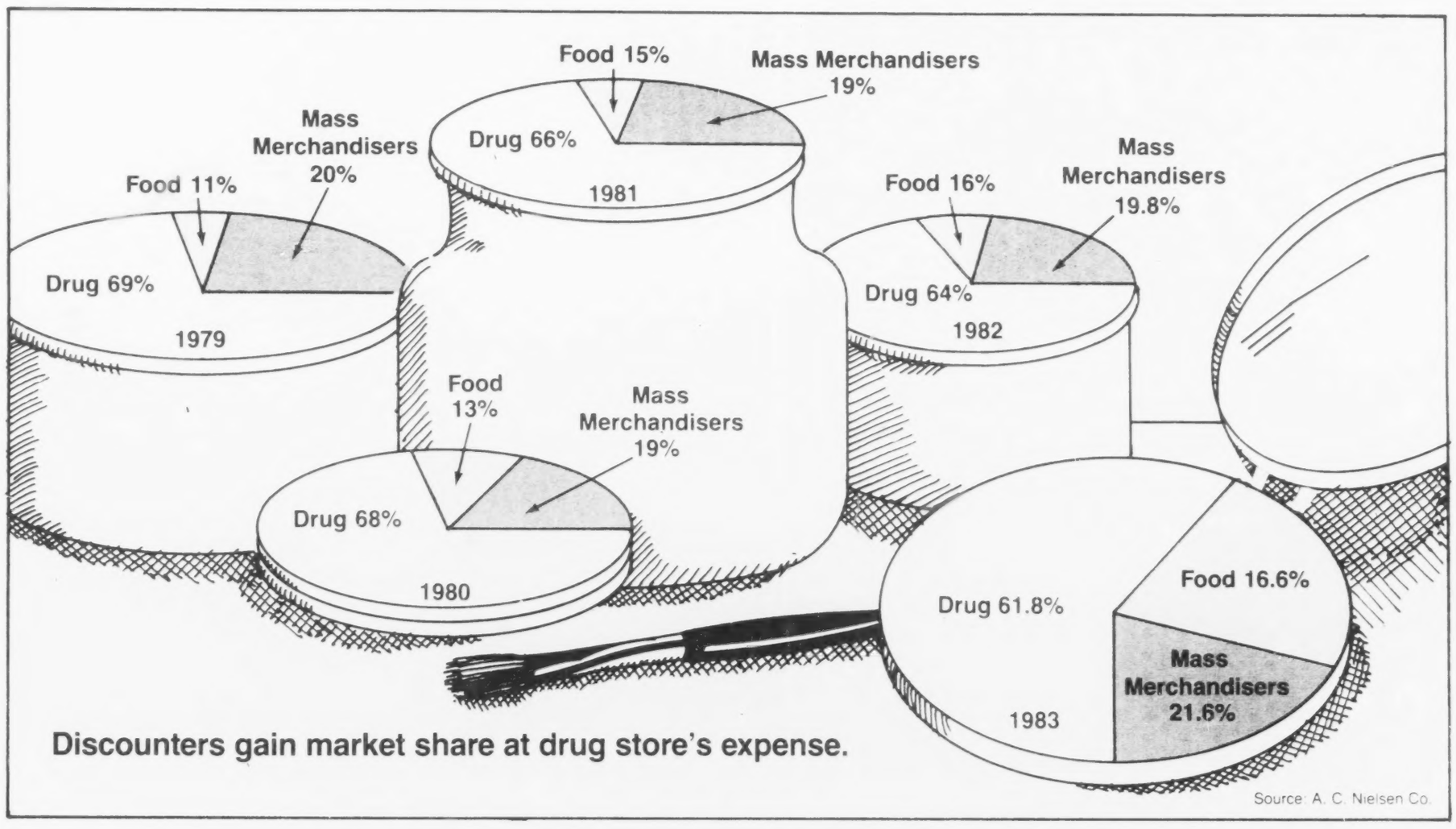
Skin Care—The skin care market is coming of age as America grays. American women—and men—are buying products for a total skin care regimen. It is expected the total market will crack $2 billion this year.

While Oil of Olay continues its dominance of this market, buyers say there are other strong contenders on the scene including Revlon's European Collagen Complex, Coty's Overnight Success and Almay's skin care line. For men, retailers are closely watching the roll out of the Dick Clark Skin Control Systems. Many buyers tend to like the line, but wonder if all of the sku's—especially the vitamins—will move.

Ethnic—It appears ethnic manufacturers of cosmetics have finally ironed out kinks in their distribution systems. Buyers report strong movement from Moisture Formula as well as Posner, Zuri and Honey and Spice.

"I think the next thing we'll see is more products for Hispanics," reports Peoples' Duckworth. "It's just starting to click."

The ethnic market potential, according to the *Industrial Outlook*, should grow to 47 million by 1989. It is estimated that in five years sales of ethnic items will have doubled their 1983 value.



Discounters gain market share at drug store's expense.

Source: A. C. Nielsen Co.

Fragrances—"I think one of the best things in a long time for us was prestige fragrances," says Hook's Helen James. Indeed, prestige fragrances have opened the door for the upscaling process in drug chains. Sources of supply were unclogged several years ago and it seems today there isn't a chain without at least Halston or Ricci.

In fact, prestige or dual distributed fragrances claimed as much as 30% of all fragrance sales in drug stores. Despite efforts by COPIAT to fight diversion, retailers say it is as easy as ever to secure prestige goods. One buyer was offered 11,000 pieces of Opium last Yule. And that's even though Charles Miller, president of Opium's parent Charles of the Ritz, heads up COPIAT.

Allan Mottus, an industry consultant, says that there really isn't even such a thing as diversion anymore: "Fragrance marketing is now a two-tier distribution system where mass merchants are becoming highly efficient retailers of designer/prestige men's and women's fragrances."

There appears to be no let up in drug chain concentration on higher-end fragrances. However, many buyers are augmenting their mix with various price points for selection. Certain mass brands are highlighted as winners such as Aviance Night Musk or Le Jardin.

For this Christmas, most of the musks such as Jovan's Whisper of Musk are expected to fare well. Bets are also heavy on Houbigant's Lutece and Charles of the Ritz's Forever Krystle. Buyers are buying for a 10% to 15% increase over 1983.

Makeup—In makeup, it appears blush steals the show. Foundations and creams still show flat sales patterns while blush continues to soar. The biggest two trends, according to Julian Levin at Giant Food, appear to be skin balancing and long-lasting waterproof formulations.

Eye—Eye color is sizzling with chains reporting dynamic sales from Revlon's Custom Eyes, its Santa Fe color launch and from Factor's Eye to Go (which will soon have a new fixture).

The only problem now with Custom Eyes is a lag in cabinet production. "When we open new stores we can't get the cabinets," complained one source.

As far as the eye fixative items go, retailers still say it's too early to tell, although some have heard Arden's Eye Fix sales are not as strong as its Lip Fix movement.

Lip—The lip fix items have been good. Levin at Giant, for example, brings all of them in at various times.

Nail—Products to help repair nails are selling very well, among them, Sally Hansen's New Lengths. Pop colors continue to pace the category.

On the whole, drug chains are optimistic about the rest of 1984 and 1985. They say they'll continue to seek a unique niche in their market.

In the following pages of this section, we profile five chains which we think have already achieved that special niche.

As a ploy to distinguish their stores from competition, some drug outlets are improving their service.

Congress sets hearings on generics legislation

Continued from page 2
Lasix and Indocin.

"Because generic drugs are three to 15 times less expensive than their brand-name counterparts, F.D.A. estimates the consumer savings to be approximately $1 billion over the next 12 years," aides stated.

They also estimated that "Federal and state governments will save millions due to increased competition on government contracts."

The pending bill would allow generic copies of "new" brand name drugs to be approved under the ANDA procedure when the patents expire, or earlier if "the generic company certifies that the patent is invalid.

In such cases, the generic company must notify the patent owner of its certification and F.D.A. may not approve the generic product until the courts have decided the suit for patent infringement or a period of two years' lapse.

The new measure also exempts generic pharmaceutical manufacturers from patent infringement charges if they import or test a patented drug in preparation for seeking F.D.A. approval after the patent expires.

Although all drugs approved for safety and effectiveness are eligible for ANDA consideration, unpatentable pharmaceuticals "which are approved for the first time receive four years of exclusive market life," under the pending legislation.

The bill would also grant a 10-year exclusive market life to drugs approved for the first time between 1982 and passage of the measure.

Despite these pro-generic ANDA provisions, most leading brand-name manufacturers agreed to support the pending legislation because it would also restore part of the patent life lost to new drugs during lengthy Governmental pro-market clearance.

Officials at Waxman's House Health Subcommittee stressed that this restoration "will assure the brand-name drug companies greater profits on their drugs because there will be no generic price competition for a longer period of time." They added that "the additional profits are needed to develop significant, new drugs."

In addition to human drugs, this legislation would also affect medical devices, food and color additives and animal drugs.

Generally, the bill would extend the patent on these products by half of the time required to test the safety and effectiveness of the drugs, and all of the time required for F.D.A. to approve marketing of the product.

However, products currently being tested or awaiting approval would only be eligible for a two-year patent life extension.

At the same time, patent extension for all other products would not exceed five years, under the pending legislation.

The original patent restoration bill, introduced by Rep. Michael Synar (D-Okla.) last year, would have restored up to seven years of patent life lost during the F.D.A. regulatory review process.

Jack Eckerd, above, speaks during dedication ceremonies for Eckerd Drug's new distribution plant in Hammond, La. The facility, at right, is the chain's first fully automated warehouse.

New warehouse aids Eckerd

Continued from page 3
that can select merchandise at any of three main picking levels.

The center, which has been in construction for the past three years, also doubles as an office facility—180,000 sq. ft. is dedicated to the warehouse while the remaining 28,344 sq. ft. serve as office space for Eckerd's 90-person Louisiana division. In addition to processing third-party payments from the center, Eckerd will also operate a photo lab here as well as an optical care and advertising department.

The distribution center part of the facility employs another 150 people, most hired from the Hammond area.

Quael Corporation files Chapter 11 petition

Continued from page 1
purchased 53 of Cunningham's ROH units and also gained control of 13 specialty shops in Stouffer Hotels.

Two new units have since opened for a total of 68 stores operating under a host of names, including Shapero's, Schettler's, Crossroads and Miller.

There still remains a Cunningham Drug operation. It runs the remaining ROH units in Westin Hotels, which Westin refused to sell to Quael.

The ROH units differ from traditional drug stores in both size and product mix. Most Quael units, for example, are between 700 and 5,000 sq. ft. and carry high-ticket gift items with hefty gross margins.

Other attractions of the ROH stores are a largely captive and freer-spending audience that is less affected by economic downturns, no advertising costs and no need for sprawling warehouses.

However, an ROH unit will falter without prime locations, and that, several observers say, was part of Quael's problem.

"They couldn't get Westin to join them, and those were the good locations," one Detroit source reported. "They teamed up with Stouffers, but 12 out of those 14 stores are just too small—there's not a profitable one in the bunch."

Shapero's plum, sources indicated, is his Colorado store group, which many feel he will be able to salvage. "Chapter 11 will allow him the protection to pay off bills and shed some of his problem stores but keep Aspen," another area executive said.

Prior to Shapero's emphasis on ROH stores with Cunningham, the chain owned large conventional stores well known to the Detroit market. These stores were sold to former Cunningham employee Jim Devine, who formed Apex Drug.

Apex was an unfortunate victim of misunderstanding when the local papers reported Quael's Chapter 11 proceeding. Terming Quael Cunningham's "successor," one paper misled suppliers and consumers to think it was Apex that was in trouble. The chain, Devine said, was flooded with calls from suppliers threatening to cut off shipments. The situation was rectified when the Detroit News clarified the story in another edition, but not "without a stir" at Apex, which no longer has a connection to Cunningham or Quael.

Begley launches home health

Continued from page 2
ber. He then went back to the pharmacist to get the number and a pamphlet describing the products available through the chain. The pharmacist told Begley that neither the toll-free number nor the pamphlets were available at store level.

"We directed our people to planogram the departments starting April 1 to maximize drug store participation with home health centers," Begley said.

While it is still too early to assess sales and rentals in the new departments, Begley did say about 37% of business at the freestanding stores is rental. Margins on sales is about 40%, he said.

Approximately 30% of the freestanding stores' revenue is billed to a third party. Begley said the chain's goal is for the stores' sales to be between $500,000 and $750,000 when they are five-years-old—in about 2½ years.

Begley said he considers the new departments inside the drug stores to be experimental and their size could change depending on the response. "We will be tracking them closely the first six months to find out if these are the right size departments. We're very flexible about increasing the size at each store level," he said.

Also as part of the new program, the chain will be making a greater advertising push.

Begley said the chain will particularly target medical communities for detailing calls, but he also said the chain hopes to improve ads on billboards, in Sunday papers and in the yellow pages.

Wholesaler profits drop

Continued from page 2
in 1983 as compared to 11.7% in 1982, while the PPI for OTC products increased just 6.1% in 1983 compared to an increase of 8.04% in 1982.

The decline in net profits, Ford also pointed out, was not "large enough" to hurt the average wholesalers' return on total assets (ROTA). In 1983, Ford said ROTA climbed more than half a percentage point to 6.01% compared to 5.97% in 1982.

Return on net worth, however, was affected in a slightly negative fashion as wholesalers funded their operations more conservatively in 1983. Composite average financial leverage declined from 2.64 in 1982 to 2.53 in 1983 as measured by total assets to net worth.

The result was that net profits after taxes declined "a hair" to 15.23% from 15.55% in 1982. Even though NWDA's goal was to reach a 16% after-tax net profits to net worth, Ford called the 15.23% registered "a very strong number."

In other positive developments, NWDA wholesalers turned in strong showings in the following areas:

Average line extensions reached an all-time high of $18.39, up from $16.60 in 1982. Inventory turns surpassed the NWDA goal of 8.0 to reach 8.47.

Find out about new products, read Merchandise News

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DRUG STORE NEWS

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American/Jewel: new superpower in food/drug arena

By Jim Ricchiuti

SALT LAKE CITY—American Stores is expected to move quickly to assimilate the Jewel food and drug operations into its own organization, though it may be some time before a clear picture of the new company emerges.

SPECIAL REPORT:
American acquires Jewel

See additional stories page 3.

Many analysts believe that American Stores' chairman and ceo L. S. (Sam) Skaggs will inject a more aggressive upper management to deal with some of Jewel's problem supermarket divisions as well as its ailing West Coast Sav-On drug operation.

But while Jewel has some soft spots, the company is generally regarded as a strong food and drug retailer. "I don't see any glaring weaknesses," said one analyst. "I think [American] sees room for improvement, but I don't think there will be lots of consolidation, and that says a lot about what you're going to see down the pike."

In the center of this Skaggs Alpha Beta cosmetics department is a gazebo and a simulated skylight.

In a geographic sense, the combined American/Jewel operations will result in a food and drug retailing organization that is unmatched in either industry.

"Both companies are well positioned in their markets and are going to be dealing with strength," noted one industry source.

The new company's principal strengths will lie in the Southwest, on the West Coast and in parts of the East, where American stores is strongest, and in the Midwest, Northwest and New England, Jewel's dominant operating regions.

The main thrust of the new American/Jewel companies will be combos. Collectively, the two companies will operate more than 200 combination stores as well as more than 100 supermarkets flanked by drug stores.

But despite similar commitments to the development of combination stores, both companies have two distinct philosophies when it comes to operating these superstores.

The Skaggs philosophy has been to put the food and drug operations under the direction of one store manager and operate it as a single entity.

Jewel has taken a different approach to its combos. The food and drug divisions are operated separately and there is little interaction between the two operations.

However, some industry experts have pointed out that segregating the food and drug operations prevents a company from realizing the efficiencies and full potential of a combination store.

Jewel's method of operating its combos will be among the first areas that American will scrutinize. It is likely American Stores will try to instill its philosophy for operating combos in the Jewel divisions as soon as possible.

As for correcting some of Jewel's weaknesses in its vari-

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Sam Skaggs: heavyweight in retail ring

SALT LAKE CITY—While L. S. "Sam" Skaggs is considered an enigma by almost everyone in the chain drug industry, there is one thing observers know for sure.

Sam Skaggs will not take "no" for an answer.

And certainly there is no better evidence than the American Stores' acquisition of Jewel, a transaction which officers of the latter doggedly tried to prevent.

Despite Jewel's initial refusals, officers eventually caved in to an offer that had been sweetened to $75 per share.

And it was only five years before that Skaggs pulled off an amazing coup by gobbling up American Stores, a grocery-drug chain larger than his own. American at the time was the sixth-largest supermarket chain and the 11th-largest retailer in the country.

Skaggs emerged as the major shareholder of the new company with 21% of the stock as well as becoming the chairman of both the board of directors and executive committee.

Continued on page 38

The elusive Sam Skaggs photographed at annual meeting.

Joseph P. Hyde III

Peter Formanek

Malone & Hyde buyout bid raises questions on Super D

By Gail Appleson

MEMPHIS—A tender offer to buy Malone & Hyde, the $2.6 billion food/drug wholesaler and retailer, is raising questions about the future of the corporation's Super D drug chain.

Company spokesmen deny that there will be any change in operations if the $585 million leveraged buyout by an inside executive group takes place.

But industry observers and financial analysts think the change in status from public to private company may eventually provide the stimulus for selling off the remainder of Malone & Hyde's once much larger drug store chain.

The number of drug stores has declined precipitously since

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Rite Aid sets Michigan entrance with planned purchase of Muir

SHIREMANSTOWN, Pa.—Rite Aid's planned acquisition of Grand Rapids-based Muir Drug will mark the chain's debut in its 20th market—Michigan.

The 1,191-store Rite Aid has signed a letter of intent to purchase Muir's 24 drug stores and its photofinishing business with over 200 accounts for undisclosed terms. With the addition of the $33 million Muir operation, Rite Aid gains a strong foothold in the market. According to Metro Market Studies, Muir is the No. 2 drug chain behind Meijer's Thrifty Acres.

Rite Aid's chairman and president Alex Grass said the acquisition will open the door for future growth.

"It's a logical extension into a contiguous market and will act as a base for further development within the state," Grass told *Drug Store News*. "The stores are well-run, high-volume stores that will be easily adapted to the Rite Aid concept."

Local Grand Rapids competitors speculate that Rite Aid's takeover of the 62-year-old Muir company may "sock some pizzazz" into the chain's operations.

"Muir has some good locations and they've been around for years," observed one independent owner. "But they need some changes to keep up with Meijer's, Perry and F&M."

Others said that Perry has been looking to expand in Grand Rapids and that Rite Aid viewed this as its chance to beat the Pontiac, Mich.-based Perry to the punch. "It was just the right time," a source at Reilly's Pharmacy in Grand Rapids said.

Pat Early, Rite Aid's spokesman, said Rite Aid already operates units "just over the border" in Toledo, Ohio. He added that Muir's 7,000-sq.-ft. to 8,000-sq.-ft. stores are compatible to Rite Aid's format. The mix is also suitable for Rite Aid; both chains produce better

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Late News

DART DRUG's board of directors approved the sale of the company's 171-unit drug store division to a management group headed by Al Towle, president of the division, and Stephen J. Hansbrough, senior vp. General Electric Credit Corp. agreed, subject to approval of final financing documentation, to lend the funds for the leveraged buyout. The purchase price is approximately $160 million.

PERRY DRUG STORES has announced it signed a letter of intent to acquire the six-store Remes Drug in Grand Rapids, Mich. The addition of the $7.2 million Remes Drug will give Perry a total of 12 units in the growing Grand Rapids market.

Walgreens accused of selling counterfeit Chloé

CHICAGO—Elizabeth Arden's prestige fragrance arm, Beth Co., has charged Walgreens with the sale and distribution of counterfeit fragrance products under the Chloé trademark.

In a suit filed in U.S. District Court here, Beth Co. charged the Deerfield, Ill.-based chain with one count of trademark infringement and two counts of unfair competition.

Beth Co. is seeking to bar Walgreens from selling allegedly counterfeit Chloé as well as to compel the chain to turn over the products and any profits made from the sale of the goods.

An Arden spokesman said Beth Co. resorted to a court action after Walgreens refused to disclose the origin of the allegedly counterfeit products.

Another source familiar with the case said Walgreens' refusal was based on the fear of incriminating an innocent party, since the chain obtains the products from more than one source.

A Walgreens spokesman said that after the chain was notified of the allegedly counterfeit fragrance, it used its Intercom Computer System to inform managers to pull the products off the shelves.

The spokesman said less than a ½-dozen items were found to be counterfeit, and that the remaining "true" products will continue to be sold at Walgreens.

Arden said the counterfeit products found at Walgreens had a "very similar" outer package, but that the "fragrance and bottle are poor imitations."

Bogus Chloé has also turned up—and been removed—from several other major drug chains and mass merchandisers. However, Arden said no suits were filed against these retailers, who identified their source of supply.

William M. Miller, executive vp and general manager of Beth Co., reported that there are several suits pending against International Fragrance, Halton Cosmetic, Tradmax and Quality King.

"We've been finding and identifying fake Chloé since November of 1983," Miller said. "We're serious about protecting our trademark."

Arden's suit against Walgreens comes at a time when the Coalition to Preserve the Integrity of American Trademarks (COPIAT) is fighting to halt the sale of "gray market" goods in America. Some believe that COPIAT has helped dry up the supply of gray market products and that diverters have now had to resort to black market counterfeits to supply the demand for prestige fragrances.

Retailers say manufacturers are tracking gray and black market goods by using infrared coding on their products. They stress caution when diverters promise "sharp" deals.

"I'm leery of anything that's a big deal, and I don't buy products not intended for United States sale," one buyer reported.

—News in brief—

Culver leaves Pay Less

WILSONVILLE, Ore.—Al Culver, senior vp of merchandising and distribution for Pay Less NW has resigned. Culver says he is leaving to broaden his career opportunities.

An 18-year Pay Less veteran, Culver was the driving force behind the chain's automated distribution and support systems, which have given Pay Less a competitive edge in many of its markets.

A Stanford MBA graduate, Culver joined Pay Less as a management trainee and then rose to store manager and vp of operations.

In 1980, Culver and Ron Schiff, who was then in charge of merchandising and distribution, swapped jobs. The purpose was to provide both men with a more rounded knowledge of the business.

At present, it is not certain whether Culver's position will be filled or whether his responsibilities will be divided among other members of the executive staff.

Walgreens announces promotions

DEERFIELD, Ill.—Walgreens has announced the promotion of James C. Kowieski to sr. buyer of greeting cards/stationery. Deborah A. Kelly has been promoted to assistant buyer for stationery.

Formerly buyer for greeting cards, Kowieski joined Walgreens in 1961. He graduated from the University of Illinois in 1961.

Kelly joined the company in 1980 following graduation with a B.B.A. in marketing from St. Mary's College, South Bend, Ind.

Westhaven names Snook

TOLEDO, Ohio—Larry L. Snook, former senior vp and director of store operations at Rea and Derick, has been named president of Westhaven Administrative Inc. The company operates four drug stores under the names, Westhaven Drugs and The Pharm Discount Drug Store.

Alexander elected

FAIRLAWN, N.J.—Sheldon W. Fantle, chairman, president and ceo of Peoples Drug Stores, announced that Peter M. Alexander has been elected chairman and ceo of B. H. Krueger, Peoples' manufacturing subsidiary. For the past five years, Alexander has been with ATI Inc., Westport, Conn., most recently as corporate vp and gm of its Chem Spray Division. Alexander has also served with Becton, Dickinson & Co., Kraftco Inc. and Johnson & Johnson.

Trinca named to AACP post

American Association of Colleges of Pharmacy president George Zografi has announced that Carl E. Trinca, Ph.D. is now acting executive director of AACP.

Trinca joined the AACP staff in October 1982 as director of Pharmacy Affairs, he was previously assistant Dean and Head of the Department of Pharmacy Practice at the University of Arizona College of Pharmacy.

Since joining the AACP staff Trinca has been responsible for a wide range of activities including the SmithKline Beckman Grant Awards for Pharmacy Schools (GAPS) program.

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New chief of F.D.A. faces furor over OTC ibuprofen

WASHINGTON—Incoming F.D.A. Commissioner Frank Young faces an almost-certain "baptism by fire" when he takes charge of the agency later this month in the midst of the simmering ibuprofen OTC controversy.

At a minimum, the new Food and Drug Administration chief will be greeted with a growing pile of suits second-guessing the agency's recent approval of New Drug Applications (NDAs) from Upjohn and American Home Products permitting over-the-counter marketing of the nation's top-selling Rx nonsteroidal anti-inflammatory drug (NSAID).

The latest of those legal challenges, filed in Federal District Court here last month by Chattem, charges F.D.A. with setting a dangerous precedent by "granting an effective monopoly to two large companies to market OTC ibuprofen."

But in addition, Young will also face a chorus of professional critics—including some of F.D.A.'s own "expert" advisers who originally recommended that ibuprofen be switched from Rx to OTC.

Specialists who were advisers on the F.D.A. panel said that ibuprofen labels do not specify that the elderly, diabetics and those with kidney or liver problems should not take the drug. Those taking diuretics for congestive heart failure, hypertension or for any other reason should also avoid the drug.

F.D.A.'s top priority, however, will be to sidestep court action requiring the agency to adjust course, if not reverse direction on ibuprofen.

In addition to Chattem's suit, the agency is also fighting a separate legal challenge from McNeil which claims that F.D.A.'s approval of OTC status for ibuprofen was illegally conditioned on the agency's approval of advertising for the product. Under the law, only the Federal Trade Commission has a say on the content of advertising to consumers.

Chattem's more recent court action questions the appropriateness and legality of F.D.A.'s decision to allow the only manufacturers with approved NDAs to market ibuprofen on an OTC basis.

The question of whether non-Rx ibuprofen products must be cleared through F.D.A.'s NDA process is one of "great signifi-

Continued on page 37

Wellby to test two mini-combos

PORTLAND, Me.—Wellby Super Drug Stores will test two mini food/drug combos in Augusta and Portland, Me., as well as a loop layout in North Windham, Me.

The mini-combo test will begin this fall and the loop layout early next year.

The two 7,500- to 8,500-sq.-ft. mini-combos are former freestanding supermarkets. The drug side will include a basic Wellby lineup: cosmetics, Rx, H&BA, school/office, along with a power alley down the center of the store.

The power alley occupies the same space as three gondolas, side-by-side. In Wellby's configuration, the middle gondola has been removed and the space is used for case stacks and case-cut merchandise. The two flanking gondolas are 60 in. high, while the case stacks in the center are 48 in. high—hence the name "alley."

The mix on the food side is typical of a 7-Eleven convenience store: dry groceries and beverages, but no perishables. There will be a snack bar, microwave oven and post mix drink dispenser.

The two mini-combos, which will be tested for at least a year, are in densely populated areas, with a good representation of residential dwellings and business offices.

The loop layout at North Windham will feature diagonals and angles at 30 to 45 degrees. The loop will be widened in the front and rear of the store to accommodate seven 4x4 promotional tables.

The store will have a high-tech look, highlighted by a metal fixturing system called the Grid. The Grid, positioned 3 in. from the perimeter wall, has a checkerboard design, made up of 4-in. squares. By using special bar attachments, the wall fixture can be used for pegging or shelving. The fixture is also adaptable as a floor fixture.

Wellby's loop contrasts with two other chains with similar concepts: Eckerd and Guild. Says Bill Wood, vp-gm of Wellby: "Eckerd has a series of boutiques, while ours has a free

Continued on page 37

Fan giveaways heat up at Carls

By Faye Brookman

ROME, N.Y.—At the rate customers were lining up at Carls Drug Stores recently, you would have thought the chain was giving away merchandise.

It was.

It was all part of the chain's highly unusual pledge that if an advertised item was not in stock, the customer would get it free at a later date.

What Carls didn't count on was the record-breaking June temperatures that assaulted its upstate New York trading area at the same time the chain was advertising a $19.99 fan for $17.99.

The fan business was never so good. According to chain president Neil Roth, about 10,000 fans were sold through Carls' 38 stores in one weekend. When the promotion was over, the chain had sold 2½ times more fans than it had all last summer.

The demand was so intense, in fact, that it cleaned out Carls' entire stock, and the chain had to give out more than 1,000 certificates for free fans.

Although giveaway had the effect of lowering the gross margins on the fan inventory by 10 points, Roth says Carls will stick with its guarantee. In fact, he calls out-of-stocks one of the "sins" of retailing and challenges other retailers to work to arrest the situation.

"We'll continue to honor the certificates for out-of-stock ad items," Roth says. "It's a policy we announced and we'll stand by it. It cost us some money, but we had a heck of a week and great store volume."

Just to make sure Carls holds up its end of the deal, the state Attorney General's office is handling complaints from customers who don't get certificates for out-of-stock ad items. According to Michael Hungerford, assistant attorney general, Carls must live up to its claim or be in violation of state advertising law.

However, the chain has realigned its policy to prevent future snags by eliminating seasonal items from its advertisements or inserting a disclaimer that seasonal products are not part of the campaign.

The latest item Carls is having trouble supplying is a gas-powered weed trimmer at an advertised price of $89.

Despite losing at least $20,000 in sales on the fans alone, Roth remains unruffled and optimistic. "In the long run, we're O.K.—I think we've gained a lot of new Carls customers," he concluded.

FINANCIAL

Stop & Shop net income up

BOSTON—The Stop & Shop Companies Inc., which operates Medi Mart Drug Stores, reported that net income for the first quarter ended May 19 rose 44% to $6.4 million from $4.4 million during the previous quarter last year.

Sales for the 16-week period increased 18% to $866 million from $731 million last year.

Earnings per share were up 28% on a primary basis to 55¢ from 43¢. On a fully diluted basis, per share earnings rose 24% to 52¢ from 42¢ in 1983.

The company said that its Medi Mart division posted a record first quarter both in sales and earnings. The 55 Medi Mart stores registered strong sales gains in domestics, toys and pharmacy.

During the first quarter, Medi Mart opened one new store and remodeled four others. By year end, the company plans nine additional stores as part of an extensive expansion program.

In addition to Medi Mart, The Stop & Shop Companies Inc. also operates 128 Bradlees Department Stores, 118 Stop & Shop Supermarkets, 52 Charles B. Perkins tobacco stores, 58 Off the Rax women's specialty shops and the Stop & Shop Manufacturing Company.

Pneumo reports gain in second quarter

BOSTON—Second-quarter earnings at Pneumo Corp., which operates Carls Drug Stores, increased 39% to $10.9 million from $7.8 million during the same period in 1983.

Pneumo said sales for the quarter ended May 31 rose nearly 8% to $319.8 million from $296.9 million in the second quarter last year.

Earnings per share were 73¢, a 26% improvement over the previous second quarter.

For the first two quarters, net income was up 42% to $22.2 million from $14.8 million last year at this time. Sales for the first six months of the year increased 7% to $632.4 million from $590.9 million.

Net income on a per-share basis through the first six months of the year was up 29%.

Bergen Brunswig posts 15% net-earnings rise

LOS ANGELES—Bergen Brunswig Corp. reported that net earnings from continuing operations rose 15% during the third quarter ended May 31 to $6.4 million, or 51¢ a share, from $5.6 million, or 44¢ a share, in the year-earlier period.

Sales and other revenues for the quarter increased to $442 million, a 21% gain over the $366 million posted a year ago.

However, the company suffered a $4.8 million loss during the quarter on its small appliance and sundry merchandise distribution business, which was discontinued.

The loss resulted in a decline in actual net earnings for the company to $1.6 million from $5.3 million a year ago.

For the first nine months, BBC's net income on continuing operations climbed 18% to $17.8 million, or $1.41 a share, from $15 million, or $1.21 a share, for the corresponding period last year.

Sales and other revenues rose 21% to $1.26 billion from $1.04 billion.

Discounting the loss on discontinued operations, the company's actual net earnings for the nine months declined to $12.6 million from $13.2 million a year earlier.

Commenting on the results, Emil P. Martini Jr., chairman and ceo, said: "We believe that after having taken the necessary steps of restructuring and eliminating problem areas we will achieve another record fiscal year."

Chain drug losers outnumber gainers, 3-2

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		From 06/01/84 - 06/18/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change					Indicated						Last Fiscal Year (Per Share)		
					Monthly Change		52-Week						Last Fiscal Year			5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio			Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.					Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
		$	$	$	$	%	$	$	%	%	%	%	$	$		%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																											
Adams Drug	ADG	12.38	11.50	11.63	-.50	-4.12	24.88	11.00	-.37	-1.45	-1.36	-12.75	1.74	.62	F	55.3	40.0	2.4	6.7	.04	.3	06-11-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	30.25	26.50	28.88	-1.13	-.43	44.00	26.50	-.45	.00	3.52	17.82	3.61	.92	F	34.2	62.0	1.5	8.0	.64	2.2	03-22-84	7983.7	117.9	1.4	11.95	12.14	0183
Begley Drug	BGLY	14.50	14.50	14.50	-.50	-3.33	23.00	14.50	-.24	.31	1.64	-77.78	1.47	1.46	N	NC	-10.0	1.4	9.9	.68	4.7	04-13-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	10.50	8.88	10.38	1.50	16.90	14.50	8.88	.15	.31	.47	5.88	.53	.14	Q	33.3	23.0	3.0	18.5	.00	.0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Dart Drug Corp	DRUGA	90.00	83.00	90.00	5.00	5.88	143.00	57.00	.25	2.29	.77	10.55	5.43	6.32	N	207.2	67.0	3.1	9.6	.13	.1	06-04-84	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	5.25	3.75	3.75	-1.25	-25.00	9.31	3.75	-.75	-4.03	-.55	-21.26	.56	.56	F	NC	NC	2.1	6.7	.00	.0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	22.25	21.50	22.25	.50	2.30	29.50	20.63	-.08	.84	.26	40.64	1.91	.31	N	16.5	6.0	3.1	10.2	1.00	4.5	06-11-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	9.63	8.38	8.38	-1.13	-11.84	14.50	8.38	-.23	-1.30	2.29	.00	.60	.15	Q	31.2	56.0	2.6	13.3	.20	2.4	06-18-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	14.75	13.25	13.88	.63	4.72	20.50	10.19	.73	-.40	.20	-18.18	.96	.29	F	43.2	99.0	2.0	14.5	.20	1.4	06-14-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	19.50	18.50	19.00	-.25	-1.30	29.75	18.50	-.37	.45	.94	-17.59	2.01	.03	Q	1.6	8.0	2.7	10.1	1.00	5.3	07-09-84	320.5	8.7	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	38.25	35.50	37.75	2.13	5.96	50.13	34.00	-.24	.85	2.70	-45.33	3.43	.45	Q	14.8	11.0	3.0	10.8	1.28	3.4	05-22-84	1214.4	36.4	1.9	.00	20.32	0184
Pay N Save	PAYN	17.50	16.25	16.50	-1.38	-7.69	28.75	14.38	-.06	-.95	-2.59	-36.84	2.02	.38	Q	25.1	3.0	2.5	8.7	.60	3.6	05-21-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	16.88	15.50	16.00	.13	.79	19.88	14.00	.24	.06	3.28	20.34	1.35	.28	F	26.1	1.0	2.9	11.9	.34	2.1	06-18-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	14.50	13.75	14.38	.38	2.68	22.38	12.38	-.24	.91	8.14	-45.90	1.02	.37	Q	50.0	11.0	1.6	13.0	.24	1.7	05-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	27.50	25.63	26.25	-.38	-1.41	37.50	24.00	.12	-.35	.15	-26.83	2.13	.56	N	29.7	24.0	3.7	10.8	.80	3.0	06-11-84	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	19.75	18.38	18.75	-.25	-1.32	23.44	17.50	-.06	.38	-.27	38.00	1.47	.29	F	24.5	31.0	5.1	12.8	.41	2.2	04-10-84	1223.3	62.2	1.7	.59	6.19	0283
Thrifty Cp	TFD	16.38	14.63	15.13	.50	3.42	24.50	11.50	.20	-.10	.89	-19.54	1.13	.28	S	28.0	19.0	1.9	11.8	.52	3.4	05-04-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	34.00	30.88	33.13	.50	1.53	40.38	28.63	.06	-.28	.71	35.07	2.24	.57	S	29.0	34.0	2.9	13.1	.72	2.2	05-14-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	21.50	19.00	20.75	1.00	5.06	35.50	19.00	-.65	2.02	1.86	-21.79	1.60	.22	S	14.6	38.0	1.4	12.1	.32	1.5	04-25-84	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	35.00	33.00	34.00	-.25	-.73	50.50	32.38	-.04	.75	.25	34.08	3.44	.38	N	11.7	5.0	1.6	9.4	2.40	7.1	05-25-84	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	21.00	20.00	21.00	1.00	5.00	28.50	20.00	-.54	.67	12.92	48.55	.94	1.43	N	NC	103.0	.7	14.7	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	14.25	12.88	13.00	-1.13	-7.96	21.00	11.19	-.10	-.89	-.54	52.56	.89	.51	N	113.3	97.0	.4	13.5	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	11.75	11.25	11.75	.50	4.44	18.50	11.25	-.14	.08	1.98	-16.13	1.41	.48	Q	53.3	12.0	1.2	8.5	.36	3.1	03-09-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	22.38	19.38	19.50	-.50	-2.50	28.75	15.50	.23	-1.41	1.07	-6.56	1.78	.43	F	31.8	63.0	1.8	11.0	.14	.7	03-30-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	44.00	41.25	43.75	3.00	7.36	53.38	38.25	.19	.54	1.43	21.24	2.86	.50	Q	20.2	27.0	11.9	14.7	1.20	2.7	07-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	55.13	53.13	54.13	-.13	-.23	55.75	43.63	.29	.40	1.17	17.77	4.00	.41	F	11.4	17.0	12.9	13.5	2.64	4.9	05-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	16.25	14.75	15.00	-.88	-5.51	31.31	14.75	-.27	-1.34	2.92	26.22	1.45	.10	Q	7.8	24.0	11.8	10.9	.33	2.2	06-05-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	27.50	27.50	27.50	.00	.00	33.00	25.25	.24	.29	-3.39	.00	2.85	.47	N	17.6	14.0	9.7	8.8	1.00	3.6	06-05-84	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	48.50	45.63	47.25	1.50	3.28	48.50	35.75	.43	.44	-1.33	26.28	3.00	.45	Q	16.7	20.0	10.4	15.1	1.60	3.4	06-29-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	21.38	20.00	21.00	.25	1.20	28.75	18.00	-.11	.61	-.05	1.14	2.25	1.69	F	301.7	20.0	5.4	9.3	.48	2.3	04-13-84	323.1	17.5	2.6	1.57	20.15	0383
Cooper Labs	COO	25.38	23.13	24.63	1.13	4.79	25.75	10.38	.31	1.72	-6.44	-1.75	NA	NA		NA	NA	NA	NA	12	.5	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	18.00	13.50	15.13	-1.88	-11.03	40.75	13.50	-1.49	1.61	7.77	-5.18	.54	.06	F	12.5	59.0	13.4	28.0	.00	.0	01-14-83	21.6	2.9	3.7	.37	3.03	0383
ICN Pharm	ICN	7.63	6.50	7.63	.63	8.93	13.88	4.88	.28	2.14	-4.37	50.69	.22	-.09	Q	-28.1	43.0	5.1	33.2	.00	.0	00-00-00	37.0	1.9	1.8	.65	3.81	1182
Key Pharm	KPH	13.50	12.50	12.63	-.38	-2.88	25.75	10.63	.33	-.48	.61	-9.48	.51	.17	F	50.0	60.0	14.8	24.8	.16	1.3	06-11-84	127.3	18.8	2.1	1.16	1.67	1283
Lilly Eli Co	LLY	63.00	59.13	63.00	4.00	6.78	68.38	56.63	.18	.55	1.98	-17.52	6.13	.89	Q	16.3	12.0	15.1	10.0	2.90	4.6	05-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.63	3.13	3.25	-.38	-10.34	3.75	2.00	.98	-1.55	.22	-38.65	-.49	.54	Q	NE	-57.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	38.00	34.13	37.50	3.63	10.70	48.00	27.25	.78	.28	5.06	-16.20	.78	.46	N	69.6	17.0	8.2	33.5	.40	1.1	06-14-84	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	91.25	87.50	90.88	2.50	2.83	104.63	82.63	.12	1.08	2.02	3.87	6.10	.58	Q	10.2	7.0	13.9	14.5	3.00	3.3	05-29-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	77.25	72.50	73.00	-3.63	-4.73	84.50	60.00	.00	-.47	-4.59	19.49	5.15	1.25	N	25.7	17.0	5.2	12.0	1.76	2.4	05-24-84	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	5.13	4.38	4.63	-.38	-7.50	10.75	4.25	-.09	-.82	3.54	-13.57	-.03	-.09	N	NE	14.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	33.25	31.50	33.00	.63	1.93	44.75	30.88	.12	.62	-1.57	-2.50	2.73	.60	Q	27.0	19.0	11.9	11.7	1.32	4.0	05-14-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.75	3.50	3.63	-.25	-6.45	6.00	2.75	-.52	1.33	-5.51	-40.80	.10	.03	N	30.0	56.0	6.1	27.9	.05	1.4	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	18.00	13.00	13.50	-3.75	-21.74	29.38	13.00	-.80	.68	5.35	-25.42	2.40	.20	Q	9.1	20.0	10.3	5.7	.68	5.0	05-04-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	32.25	30.00	30.00	-1.63	-5.14	34.25	25.25	.30	-.49	-2.13	-7.79	2.02	.24	Q	13.0	11.0	8.9	14.4	1.08	3.6	05-04-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	11.00	9.50	9.75	-.63	-6.02	29.00	9.50	-1.11	.09	-7.20	-18.12	1.13	-.39	N	-36.7	2.0	5.2	14.6	.32	3.3	03-14-84	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	45.25	41.13	45.13	4.00	9.73	55.88	37.50	.48	.84	.20	-16.99	2.39	-.17	F	-6.6	14.0	11.6	18.9	.52	1.2	05-08-84	946.0	110.0	2.2	4.10	13.32	1282
Squibb Corp	SQB	42.50	39.88	41.63	1.38	3.42	55.63	37.50	.18	.20	1.35	24.37	3.31	.30	F	9.9	6.0	9.8	12.6	1.44	3.5	05-14-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	26.00	24.50	25.63	1.00	4.06	29.63	23.50	.14	1.07	-.28	-12.62	2.24	.13	Q	6.0	7.0	7.2	11.3	1.16	4.5	05-01-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	44.63	38.75	42.88	3.88	9.94	61.50	37.75	.07	.34	4.85	2.96	4.30	.40	S	9.9	36.0	17.2	9.7	1.60	3.7	05-07-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	26.50	22.88	24.50	1.88	8.29	26.50	12.75	.65	.74	.23	-32.51	1.65	.76	Q	61.7	70.0	11.0	12.3	.40	1.6	06-11-84	149.4	16.5	4.5	.00	4.53	1182
Upjohn Co	UPJ	67.50	64.63	65.38	-1.63	-2.43	72.25	50.75	-.02	.11	-2.50	31.40	5.28	1.65	Q	38.7	2.0	8.1	11.1	2.56	3.9	03-30-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	31.50	29.50	31.00	.50	1.64	36.75	26.38	.24	.69	-1.33	8.93	2.51	.50	Q	23.6	1.0	6.5	11.9	1.48	4.8	04-30-84	3108.3	200.5	1.9	7.53	17.75	1283

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

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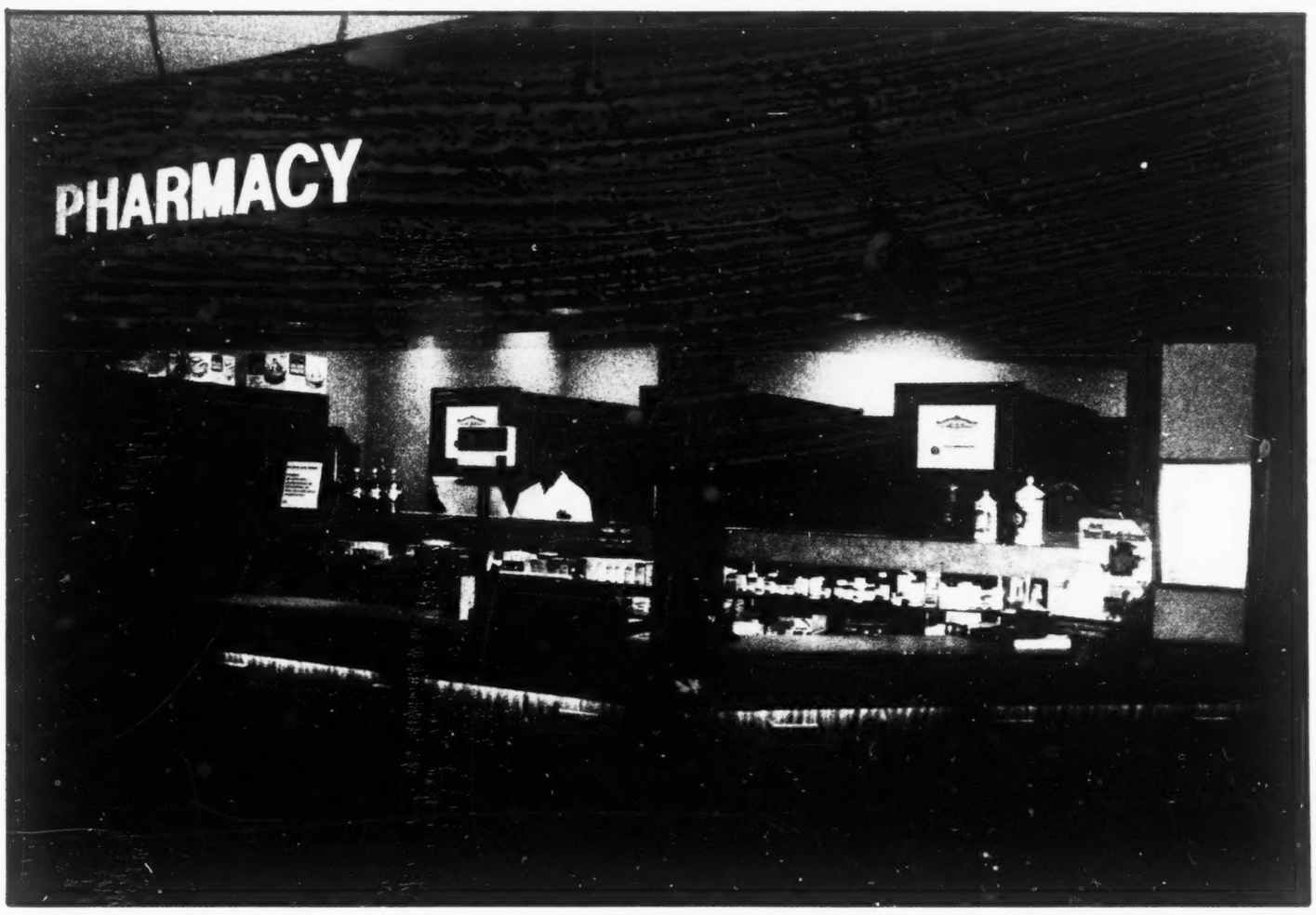
PHARMACY



Byerly's Pharmacy, located inside the chain's newest supermarket in St. Louis Park, Minn., strives for friendly, first-name service and competitive prices.

Personal service is Byerly's byword

By Harold Cohen, R.Ph.

ST. LOUIS PARK, Minn.—Byerly's Pharmacy, located within that chain's newest supermarket, is working hard at projecting a professional image that is more in keeping with conventional drug store practices.

Because the supermarket does little or no advertising of its pharmacy, the 400-sq.-ft. department must rely on high-quality personal service and competitive pricing to ensure its survival.

"We try to get to know our customers personally by name," said Ann Strachota, pharmacy manager. "Most people do not expect that kind of personal service from a pharmacy located in the middle of a supermarket."

Strachota and her coworkers use two special consultation windows on the side of the pharmacy, away from the cash register area, to answer questions from customers about their medication.

"We encourage our customers to discuss their medications with us," said Strachota. "Most people prefer to do this in a private setting like our consultation windows."

Also helping to boost the professional image is an on-line pharmacy computer system that tracks patients' records. The system is maintained by Viking Script Control.

Aside from handling routine pharmacy transactions such as labeling, pricing and receipts, the computer contains a complete interaction data base.

"We are able to warn doctors of serious or possibly fatal drug interactions before they happen," explained Strachota. "If the interaction is not that serious, we caution the patient that some side effects may take place."

But according to Strachota, one of the computer's major advantages is its ability to process the majority of third-party prescriptions that are brought into the pharmacy.

Because the pharmacy fills over 100 prescriptions daily, of which 60% to 70% are on a third-party plan, Strachota says the computer is a necessity.

"It would be very difficult to keep waiting time down to a minimum like we do if we didn't have the computer," said Strachota "You have to remember that many large companies like Honeywell, Control Data, General Mills and 3M are headquartered here."

While service is an important factor in the pharmacy's success, Strachota says it is not enough. Paying attention to the competition is equally important.

Continued on page 16

Waxman blasts patent-bill critics; bitter battle looms

WASHINGTON—House Health Subcommittee Chairman Henry Waxman (D-Calif.) has lashed out at drug industry critics of his compromise patent term restoration/ANDA bill, charging that maverick pharmaceutical manufacturers opposed to the measure are obsessed with avoiding competition from generic houses.

The proposal offers brand name drug manufacturers the opportunity to recapture up to five years of patent protection lost during the premarket approval process, while allowing generic firms to bring copies of "new" (post-1962) drugs to the market more quickly under a fast-track "Abbreviated New Drug Application" process.

Although Waxman's compromise plan sailed through his subcommittee late last month with the endorsement of the Pharmaceutical Manufacturers Association, the legislation still faces a series of bitter battles on Capitol Hill because of continued opposition from dissident PMA members who believe the bill is tilted too far in favor of their generic competitors.

During House markups on the measure, Waxman blasted those pharmaceutical industry critics, accusing them of attempting to stall the compromise in order to avoid price competition from generic drug producers.

See related story, chart page 14

"They do not care if patent life is restored," Waxman said of the PMA dissidents, "only that generic drugs cannot be marketed."

Opponents of the compromise—including such major brand name pharmaceutical makers as Bristol Myers, Merck, Sharp & Dome, Squibb,

Continued on page 14

NACDS to develop 'model' Rx crime law

WASHINGTON, D.C.—While the ink was still drying on legislation granting Federal authorities jurisdiction over controlled-substance robberies, key drug store industry groups were already mapping plans for new lobbying campaigns to secure new pharmacy crime laws.

The National Association of Chain Drug Stores, for one, is developing a "model" pharmacy robbery statute designed to fill in any possible "gaps" between the new Federal Rx crime bill and state laws.

Although the new Federal pharmacy crime bill signed into law by President Reagan last month "is an important victory that will bring the full resources of the Federal Government to prosecute the most appropriate cases," NACDS officials stressed that state and local law enforcement agencies will continue to play "the primary role" in "fighting violent crimes which involve controlled substances."

As a result, "the chain drug industry intends to pursue en-

Continued on page 16

Fee limits, waivers for HMOs threaten retail pharmacy

BENCHMARKS

By Joseph Caputo, R.Ph.
Pharmaceutical Editor

Government has gone too far. By prohibiting pharmacists from collectively bargaining for better dispensing fees and by granting special waiver privileges to PPOs and HMOs, pharmacy as we know it may one day be extinct.

More to the point: When do joint buying efforts of health care by groups of economy-minded consumers and personnel officers of large industrial corporations constitute restraint of trade?

The question once thought to be a moot issue has taken on significant complications for retail pharmacy as third party prescription plans increasingly advise participants where to shop for their pharmaceutical services.

An HMO in Philadelphia told its subscribers that their prescriptions could only be acquired from one of three selected chains in the area, or through a mail-order prescription supplier.

On the surface such an arrangement stinks of cigar-filled rooms and deals cut behind closed doors. But if each chain and mail-order prescription supplier bargained without knowledge of the other suppliers' terms then the courts would say trade is not restrained.

Such arrangements supposedly keep competition alive and well, at least in the short term. In the long term another picture emerges. As fewer suppliers survive, those remaining tend to jack up consumer prices to prohibitive levels. Then the cycle begins again with more small operators entering the market. Except here they can't because the market is effectively closed.

These exclusive contracts ultimately cut down on the number of pharmacies servicing an area, and the smaller supposely less-efficient ones go out of business. Up until recently most people considered life-giving drugs to be a necessity, and these items were widely available rather than being confined to a few select suppliers.

A number of chains now participate as preferred providers, for a wide variety of health plans. But they too will soon find themselves in the same dilemma as their independent cousins.

HMOs usually keep chains as suppliers for two-four years, then as more people become enrolled and script counts soar, a change takes place. HMOs discover the savings when the prescription program is moved in-house. So, economics dictate that provision of pharmaceutical services be supplied by the health plan or one of its satellite pharmacies, thereby preventing others from competing when prices escalate.

Some independents are seeking a solution to their dilemma: Realizing that the significance of being barred from provider status is a major problem, and that the problem can't be remedied under the anti-trust law, a new tack is being employed.

A group of 200 Florida-based pharmacists is examining the feasibility of group-purchasing through selected wholesalers. Details in the program are yet to be worked out, but apparently participants in the program will seek chargebacks of the difference between bid prices and the prices at which they are initially billed.

A pharmacist in this market told *Drug Store News* that this was the only way he could remain competitive and hold onto his institutional and third-party customers.

If the pharmacy buying group concept fails, perhaps the profession should apply for endangered species status. Then at least those responsible for killing once-thriving businesses could be made responsible for preserving and guaranteeing their survival.

PHARMACY

Safety issue among complaints voiced by dissident PMA firms

WASHINGTON—Why do some leading brand-name drug firms consider Rep. Henry Waxman's (D-Calif.) Patent Restoration/ANDA proposal a bitter pill? Here are some major objections to that bill raised by the dissident Pharmaceutical Manufacturers Association members, along with their proposed solutions.

A major concern of the industry critics is that the bill does not permit the Food and Drug Administration to request safety and effectiveness information other than bioequivalence data from ANDA applicants. In addition the measure does not authorize F.D.A. to reject an ANDA (Abbreviated New Drug Application) for most drugs on grounds of lack of safety and effectiveness. The firms urged Congress to maintain F.D.A.'s explicit discretionary authority to require safety and effectiveness information from an ANDA applicant when needed to protect the public health and to disapprove any ANDA if the applicant can not demonstrate its product's safety and effectiveness.

The dissident manufacturers also oppose a provision of the bill that would permit "the ANDA applicant to compel the patent owner to commence litigation on the validity of a patent within 45 days of receiving notice of formulation of dosage form or initiation of bioequivalence studies" by a generic manufacturer. According to the manufacturers, that "trigger mechanism should only occur upon the 'filing' of a complete ANDA."

Another key problem with the bill is that it encourages patent infringement by allowing an ANDA applicant, involved in a patent-validity lawsuit, to market the contested product two years after the initiation of the suit, if the case has not been settled, the coalition stated. According to the coalition, an ANDA applicant should not be allowed to market a drug until a trial court has ruled that the original patent is invalid or has not been infringed. However, if the brand-name manufacturer fails to use due diligence in prosecuting an infringement action, the court should be allowed to make effective the generic ANDA.

The dissident manufacturers urged Congress to reject provisions of the legislation that limit the types of patents that can be restored.

Prime targets for generic competition

Brand name	1982 Sales (in millions)	Patent exp. date
Dyazide	$176.8	1980
Indocin*	87.8	12/15/81
Ativan	54.9	1/3/84
Tolinase	49.2	11/13/79
Dalmane	48.4	1/17/84
Keflin	43.1	11/11/82
Norpace	38.1	12/21/82
Minocin	33.2	12/23/82
Tegretol	30.1	8/9/77
Lidex	24.2	3/24/81
Reglan	22.3	11/23/82
Navane	21.8	3/21/84
Danocrine	21.5	6/24/81
Meclomen	20.5	4/11/84
Serax	19.1	1/3/84
Oncovin	15.9	9/7/82
Clomid	12.9	11/24/76
Restoril	11.7	1/3/84
Atromid S	11.6	7/26/83
Total 1982 sales	743.3	

*First generic approved 4/20/84

Source: Generic Pharmaceutical Industry Association

Battle ahead on patent bill

Continued from page 13

Procter & Gamble, Johnson & Johnson, American Home Products, Hoffmann La Roche, Scherring Plough and A. H. Robbins—painted a sharply different picture in a "fact sheet" distributed to reporters shortly before the markup session.

According to the drug industry dissidents, they "fully support the goals of the [Waxman] legislation," but the bill "fails to achieve an appropriate balance between those goals."

One key objection raised by the critics involves provisions in the bill allowing generic firms to challenge the validity of a brand-name manufacturer's patent and to apply for Food and Drug Administration approval to market a copy of that product before the court suit is resolved.

In addition, the dissident manufacturers charged that the measure "provides inadequate patent restoration for innovative drug products and does not provide adequate assurances that F.D.A. will have the needed authority to assure the safety and effectiveness of generic drugs," the opposing firms added.

The bill also "places added responsibility on F.D.A., which has said its resources are stretched to the limits, to subordinate the approval of applications for important new therapies" in order to approve generic drugs, the firm stated.

PMA Chairman Joseph Williams expressed some of the same concerns during a recent press conference announcing Senator Orin Hatch's (R-Utah) plan to introduce an identical bill in the Senate this month.

The president of Warner-Lambert urged Congress to "give F.D.A. some help so there is not a reallocation of resources away from new drug approvals to post-1962 generic drugs."

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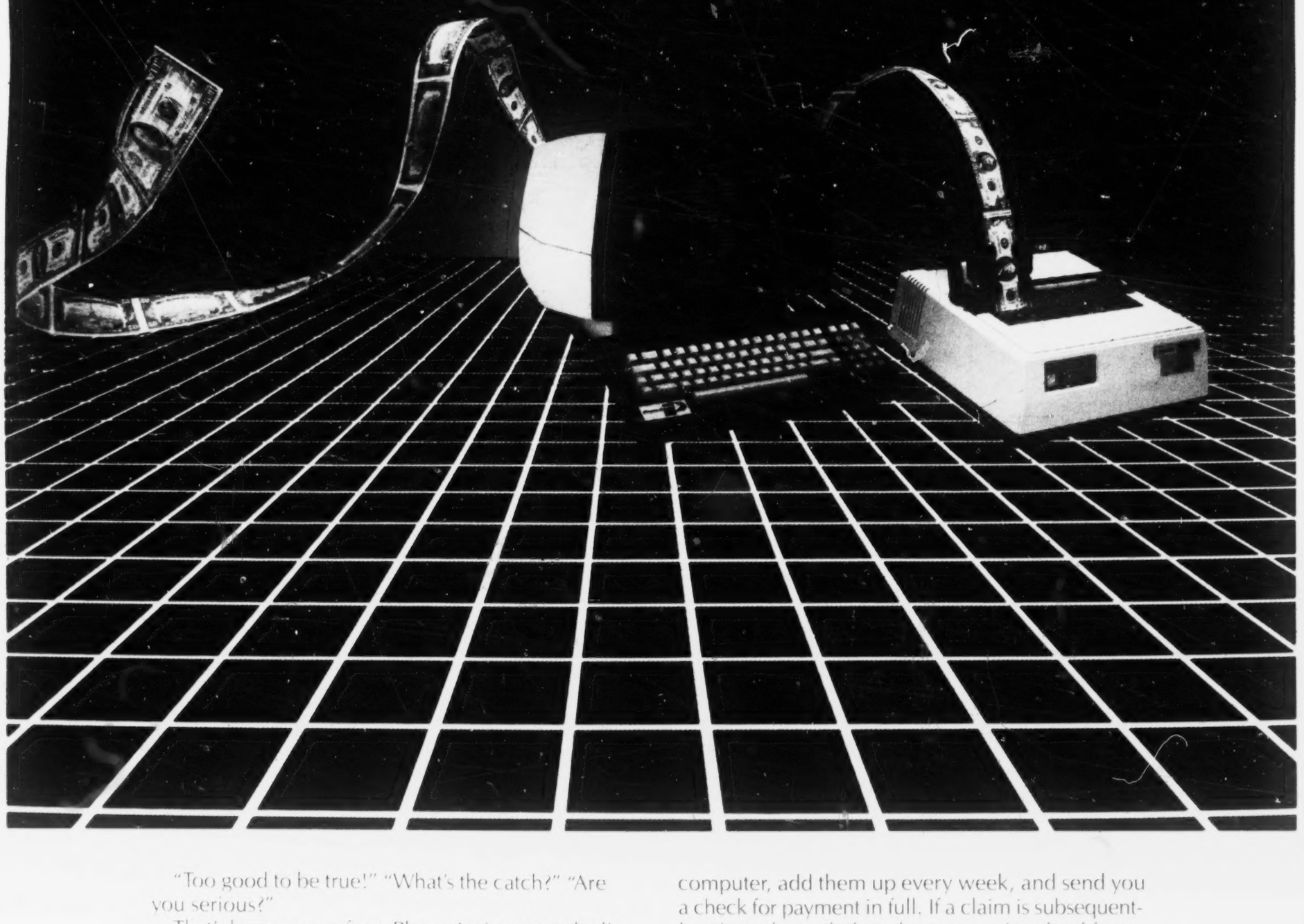

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American to finalize Jewel takeover by Sept.

Continued from page 4
ings of $88.1 million on sales of $5.8 billion. Its net-to-sales ratio was 1.5%.

However, Jewel's earnings over the past few years have been adversely affected by lower gross margins in both its drug and supermarket divisions. At the same time, the company in 1983 suffered a 50.8% earnings decline in its equity investment in Aurrera S.A. de C.V., a diversified retail company in Mexico. Jewel's interest in Aurrera amounts to 36%.

Jewel's drug division is a mixed bag. It 322-unit Osco chain last year produced a 19.6% earnings gain on a year-end sales increase of 14.3%. But earnings at Sav-On, which has stores in California, Texas, Oklahoma and Louisiana, plunged 33%.

Overall, pretax earnings from the drug division amounted to $62 million last year, which represented 50.3% of Jewel's U.S. pretax earnings. Sales from the drug operations were $1.8 billion.

For the first quarter of this year, ended April 21, results from the drug operations were disappointing. Earnings were down 47% to $5.6 million. Sales increased 12.6% to $431.6 million.

But despite the lackluster performance of its drug division, which has been mainly due to the Sav-On operation, Jewel's extensive drug retailing experience was a big factor in Skaggs' decision to pursue Jewel.

The other big attraction to American Stores is Jewel's real estate holdings. Jewel owns almost half the property that contains its facilities. A source close to American Stores said that "what they are getting in terms of land assets is just incredible."

What remains to be seen, however, is whether American will hold onto all of Jewel operations. Jewel's Aurrera holdings may be sold off. And analysts wonder whether its White Hen Pantry convenience stores will fit into American's food and drug retailing strategy.

In 1983, American Stores posted earnings of $117.9 million on sales of $7.98 billion. The company has managed to improve its net profit margins from a low of 0.9% in 1982 to 1.5% last year. Part of the reason for this improvement has been attributed to American's decision to close many of its marginal stores, including a number of Acme markets in the East.

The company posted earnings gains of 18.7% to $26 million for the first quarter ended April 28, on sales of $2.03 billion.

The combination of American Stores, the fifth largest supermarket chain in the country, and Jewel, the sixth largest, will result in total sales of $14 billion. The merger creates a company that will be the third largest food and drug chain in the country. It will operate a network of nearly 2,200 food/drug combos, supermarkets and freestanding drug stores spanning 43 states.

New company to take hard look at Sav-On's sagging operation

Continued from page 3
centers (12 in Orange County and two in Bakersfield) as well as five food-drug combos and a dozen Alpha Beta supermarkets with pharmacy departments.

The FTC may force American to sell some of these units—especially the two in Bakersfield, where Sav-On also operates stores.

The Skaggs drug centers that survive the FTC's scrutiny will probably be renamed Sav-On because of long-time name recognition in those marketing areas.

A lot of speculation surrounds two key areas, northern California and the San Joaquin Valley.

In northern California (San Jose area) Sav-On operates seven drug stores and one drug/home center combo. When Jewel bought Sav-On in November 1980, insiders predicted the chain would expand rapidly in that area—especially since Jewel had tried to buy Pay Less Oakland several years earlier. However, Sav-On put its resources into food-drug combos in the San Joaquin Valley.

By the end of 1985 there will be 10 of these combos. Nine will be 48,000 sq. ft. and one 38,000 sq. ft.

American does not operate combos in the San Joaquin Valley. However, American's new combos are 65,000 to 69,000 sq. ft. Sav-On's are smaller because the trading areas are denser.

Questions remain

The big question: Will American now go two-tier in the size of its food-drug combos?

American, committed to food-drug combos because they can net twice the yield of its drug centers, will make a critical decision on its 14 drug-home center combos.

These combos are 45,000 sq. ft., but the home center side has not been profitable.

Before the American acquisition, Sav-On had been planning to refine the mix of the home center side because the turns have not been up to standard.

At the same time, rumors were rife that Sav-On would convert many of these drug-home center combos to food-drug combos.

What happens in California may be influenced by decisions in the northern border and Pacific Northwest states where Jewel operates 39 Buttrey-Osco food-drug combos.

A West Coast chain drug exec says, "I wouldn't be surprised if Buttrey-Osco expanded in the Pacific Northwest, and Sav-On expanded in northern California, so the two would link up at a predesignated place and operate as contiguous divisions."

If American adopts this strategy, it would collide head on with three hard-riding chains: Pay 'n Save, whose strength is centered in Western Washington, and Longs and Pay Less.

Leading combo store operators

Company	HQ	Number of combos
Kroger	Cincinnati	288
American Jewel	Salt Lake City	220
Safeway	Oakland, Calif.	150
Albertson's	Boise, Idaho	89
Giant	Landover, Md.	74
Raley's	Sacramento, Calif.	40
Tom Thumb Paige	Dallas	28

Source: *Drug Store News* survey

American/Jewel: new superpower in food/drug arena

Continued from page 1
ous food and drug divisions, analysts say that Jewel had already begun taking steps to shore up its weak spots. During the past year, the company has been able to negotiate concessions from labor unions in its embattled Jewel Food Stores division in Chicago, which may help relieve the pressure the chain has been feeling from competing food warehouses. It also has begun to meet the warehouse challenge in Indiana by converting some of its Eisner stores to the Jewel name.

In New England, Jewel has closed a number of its fading Star supermarkets in the Boston area and replaced them with more profitable Osco drug stores.

Jewel has had to contend with some of its most serious problems on the West Coast. In the Pacific Northwest, Jewel is only beginning to see signs of improvement in its Buttrey supermarkets and Buttrey/Osco combo stores, which were particularly hard hit by the depressed economy.

Further to the south, Jewel's California Sav-On stores have been a thorn in the company's side since they were acquired in 1980. Jewel has a remerchandising program under way in the Sav-On division, which also includes stores in Texas, Oklahoma and Louisiana, to improve sagging profit margins. However, it may take the more aggressive Skaggs operating philosophy to fully turn the operation around.

Effect of debt

Expansion into new markets may be postponed for the immediate future because of the enormous long-term debt American took on as a result of the merger. However, analysts believe that once the new company's management team and distribution systems are in place, American will be able to look at markets where they can improve their position.

Among the possibilities open to the new American companies would be to extend the operations of some of the Jewel food drug operations into neighboring markets. One such option exists that American will expand the Buttrey/Osco stores further south and move up the coast with Sav-On combination stores.

There may also be opportunities available to the new company in some of the Great Plains states in areas where Skaggs Alpha Beta has not established a strong presence. Osco drug stores could be teamed up with supermarket operations in eastern Colorado, Iowa and Nebraska.

In a letter to Jewel chairman Weston Christopherson proposing the merger, Skaggs outlined other areas for potential expansion, including the Southeastern United States and Florida in particular.

In addition to new market opportunities, the merger will provide American with considerable operating efficiencies. Skaggs has indicated that the merger will "provide enormous savings in the economies associated with the buying of private-label merchandise [both food and nonfood] and the purchasing of packaging materials." American Stores operates a large warehouse facility in Salt Lake City from which the company distributes private-label merchandise. This center conceivably could be used to supply the Jewel divisions with private-label merchandise.

New distribution systems are expected to be more of a priority for the supermarket divisions than the drug store divisions, however.

New chief of F.D.A. faces furor over OTC ibuprofen

Continued from page 2
cance" to prospective marketers of these OTCs "since the need for approval of an NDA can be a substantial barrier for many firms, particularly smaller firms that do not have the financial resources to support the NDA process, lawyers for Chattem argued.

As a result, for products still under patent such as ibuprofen, "the requirement of F.D.A. approval of an NDA for a [Generally Recognized as Safe and Effective] GRASE drug effectively extends the patent monopoly beyond its expiration date in an unlawful manner," they told the court.

The Tenn.-based drug manufacturer specifically attacked F.D.A.'s conclusion that NDA requirements for nonprescription ibuprofen would result in improved "public health protection," and cited the "extensive marketing experience" with the Rx version to support the drug's safety and effectiveness.

"Indeed, if rigid NDA controls were needed, ibuprofen should not have been switched from Rx to OTC in the first place," Chattem maintained.

The battle over F.D.A.'s NDA requirement for non-Rx ibuprofen is underscored by the drug's enormous market potential as a head-on competitor of aspirin and acetaminophen for the OTC analgesic market.

Ibuprofen, which is scheduled to go off patent in May 1985, "has been the most frequently prescribed NSAID in the country since 1976," and ranked as the nation's fourth most heavily dispensed Rx drug in 1982 with 18.9 million prescriptions filled, Chattem told the court.

Significantly, however, lawyers for Chattem argued that the issues at stake in the case run deeper than potential market share for a [illegible] selling new OTC product.

Among other things, they suggested that F.D.A.'s NDA requirement for ibuprofen represents a key shift in policy for the agency which could make it more complicated to transfer Rx drugs to OTC status in the future.

"For the first time more than two dozen switches [of drugs from Rx to OTC] since the early 1970's, F.D.A. articulated a policy that, in order to reach GRASE OTC status, a period of marketing experience over-the-counter under an NDA would be necessary," Chattem said.

Jewel execs likely to stay in new lineup

Continued from page 3
Skaggs' acquisition of American Stores, several executives with American Stores assumed important positions in the new company.

In fact, three of American Stores' top officers are alumni of the old American Stores Company. They include the current American Stores president, Tom Field, who came over from the Alpha Beta division; vice chairman and treasurer Richard Dunlop, formerly of Acme, and Sunday.

Wellby to test two mini-combos

Continued from page 2
flow which makes things show better."

Wellby resembles Guild because both layouts were designed by the same man, Clark Richey. However, there is a different mix in Wellby and Guild.

Guild, for example, eschews H&BA loss leaders, preferring to let the major chains fight it out. Instead, it has extensive gifts, apparel and cosmetics, and features novel, off-beat sundries.

On the other hand, Wellby is a typical promotional drug chain that tries to make a low-price impact in 5,000 sq. ft. of sales area.

Wellby will try the loop layout in a revamped supermarket that has 10,000 sq. ft. of sales. If the concept works, it will be extended to other stores of that size. Wood explains: "In a loop layout you lose some linear footage because you are playing away from a conventional gondola into diagonals and angles. With the loop, you also need wider aisles. Ours will be a minimum of 5 ft. compared to our usual 4 ft. 6 in." Wood says gondolas will remain at 60 in. high.

Wood has no illusions about the limitations of the loop. "The layout itself can't do it. You have to start with good locations and good merchandising to enhance the layout."

PHARMACY
Congress urged to make changes in patent-term bill—p. 25

Special Report:
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DRUG STORE NEWS

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Pathmark Super Drug in Baltimore features tall gondolas which mix the chain's private label with name-brand products.

Pathmark's Super Drug discount unit opens in Md.

By Jim Ricchiuti

DUNDALK, Md.—Supermarkets General Corp. opened its first Pathmark Super Drug Store here last month with a heavy emphasis on food and grocery items.

While its first effort in the deep-discount drug arena features a broad assortment of health & beauty aids and cosmetics, Supermarkets General's principal strength as a food and grocery retailer is clearly evident in this estimated 22,000-sq.-ft. store.

The Woodbridge, N.J.-based chain also has brought much of its private label and generic product lines into the store, which should enable the company to realize a higher gross profit range than most other deep-discount operators, while still putting across a sharp pricing image to consumers.

Shoppers entering the store, which is located in a strip shopping center that also contains a Montgomery Ward outlet, are exposed to the customary assortment of trial-size products, followed by a dental needs section and hair care department. At the same time, however, Pathmark has a section of snack foods, breads and cookies in this same aisle, which gives shoppers a preview of the type of merchandise found in the remainder of the store.

A service counter in the second aisle of the store includes departments for cosmetics, electronics and photo supplies. In addition to an extensive supply of midpriced and budget cosmetics, there also are a handful of prestige fragrance lines in the section.

As with other deep-discount stores run by food retailers such as Jax and Jote's in Cleveland and Malone & Hyde's Ike's

Continued on page 83

Giant, Safeway lower prices in Baltimore market battle

BALTIMORE—A price war has erupted here as two leading food/drug chains—Giant and Safeway—have launched a campaign to meet the prices set by Pathmark Super Drug, the new deep-discount drug store opened last month by Supermarkets General Corp.

Shortly before the new Pathmark store opened in Dundalk, Giant announced that it was "Going Discount." The regionally powerful food/drug retailer, which operates approximately 40 combination stores throughout greater Baltimore, slashed prices 20% to 50% on greeting cards, cosmetics, health & beauty aids, books, sunglasses, pet foods and pantyhose. Giant has also rolled back prices on these items in its

Continued on page 83

Mich. store site of test

McKesson POS scanner gets final shakedown

SAN FRANCISCO—McKesson Corp. is about to become the first drug wholesaler to make a computerized point-of-sale scanning system available on a nationwide basis to large and small chains as well as independents.

The $3 billion-a-year company, the industry's largest wholesaler, has begun "debugging" a unique, moderately priced computerized scanning system in a Pontiac, Mich.-based, 4,000-sq.-ft. drug store owned by Wrigley Drug.

Wrigley has already contracted to buy the computerized system for all nine of its drug stores, and the test, according to company executives, "is just to get the bugs out."

McKesson, which will be marketing the system through its 3 PM computer systems subsidiary, plans to formally introduce the new system at its trade show later this month in Las Vegas.

The heart of the system is a device 3 PM calls "The Connector," which basically connects computerized registers made by Sweda to pharmacy terminal systems made by Digital.

The Connector can plug in as many as eight computerized cash registers, located anywhere in a drug store, to a standalone pharmacy terminal located in the pharmacy department.

Not counting the cost of the pharmacy terminals, the system will cost between $10,000 to $15,000 for an average drug store. The cost will vary depending on the number of registers in the store and whether the owner wants the system to scan as well as track item movement.

McKesson executives say they have already spoken to a few large chains about the system, but they say the great advantage of the system is that anyone can afford it "chain or independent."

Allen Stotsky, president of Wrigley, which is the first retailer to buy the system, says he expects to generate considerable savings from his investment, although he adds that in the first year, "it's impossible to say with finality whether the savings will amount to $500,000 or $5,000."

Three target areas

But according to Stotsky, the savings for retailers will be dramatic, and they will come primarily from three key areas: shrink, inventory control and employee productivity. Down the line, he expects to see other savings in the form of improved merchandising planogramming and promotional activities.

"For the first time, I'm going to know what my real shrink is," he says. "I'm also going to be able to schedule better and to improve my in-stock position as well as track the effectiveness of my ads."

McKesson has so far developed about 30 software pro-

Continued on page 86

Register/Rx computer link called key to new system

The computerized point-of-sale scanning system now being introduced by McKesson's 3 PM subsidiary will work like this:

Individual cash registers in the retail store will be hooked through a "connector" to the store's pharmacy computer.

A clerk at the checkout will be able to scan or "wand" a product as the customers move through the line. In less than 40 milliseconds, the pharmacy computer will be able to look up the price and flash it back to the register. At the same time,

Continued on page 83

Dart buyout final; D.C. target for expansion

By Bruce Buckley

LANDOVER, Md.—With the sale of the 74-unit Dart drug store division completed, the new owners are gearing up for a major effort to bolster Dart's lagging operations in the highly competitive Washington and Richmond, Va., metro markets.

"We've had a nine-week hiatus. Now we're back into business," said Al Towle, 1 of 2 men who headed an internal management group that bought the drug division for $160 million.

"Our job now is to enhance the merchandise mix and get the stores up and going," Towle added. "I think we have a tremendous opportunity here."

Towle, the principal stockholder in the new privately held Dart Drug Stores Inc., said Dart was also preparing for an expansion push, with four stores set to open this fall, all in the Washington area.

Towle, who had been president of the drug store division when it was still part of Dart Drug Inc., is now chairman and ceo of the new corporation. Stephen Hansbrough, former senior vp of the division, has become president and coo.

Hansbrough was the Dart exec who teamed with Towle in bringing off the leveraged buyout with $140 million in cash borrowed from the General Electric Corp. and $20 million in a 12-year subordinated note.

Towle told *Drug Store News* that he anticipated importing no new top managers from the outside, as he did when he took over the helm of Gray Drug Fair in 1982. "We're keeping the management in place," said Towle, who joined Dart as president of the drug store division on March 1.

Other members of the top management team include Rob-

Continued on page 86

Late News

THRIFTY CORP. announced that net income for the first quarter ended May 31 increased 20% to $4.8 million from $4 million in the corresponding year-earlier period. Sales rose 7.8% to $313.6 million from $290.8 million. Earnings per share were 42¢ compared to 20¢. For the first nine months, earnings increased 23% to $20.3 million from $16.5 million, while sales were up 9.8% to $961.2 million from $875.7 million. Earnings per share for the first three quarters were $1.02.

ACPE CONTINUING EDUCATION PROGRAM

Sports medicine and the pharmacist—pp. 17-24.

Longs to launch Colorado drive with 5 stores

COLORADO SPRINGS, Colo.—Longs will launch its Colorado division in 1985 with five stores, three of them in this fast-growing city.

In fact, the first two stores will open in Colorado Springs within a few weeks of each other. The third store is scheduled for Fort Collins, and No. 4 again for Colorado Springs. The fifth store will open in Greeley. The site of the sixth store, which will open in 1986, is being withheld because it is in the final signing stages.

The initial six stores will be 27,000 sq. ft.-28,000 sq. ft. overall, as compared with the 25,000-sq.-ft. units Longs is opening in other areas. Approximately 70% of a Longs store is devoted to selling space.

The merchandise mix in Colorado will follow Longs' well-established pattern in California—except there will be no liquor departments. Longs hopes to offset this loss (liquor, along with wine and beer, contributes 8% to store sales) by expanding sporting goods and by vigorously promoting the basics of its mix. This would include cosmetics, OTC, H&BA, audiovisual, pharmacy and food.

Longs' principal supermarket tenants in Colorado will be Albertson's and Safeway. Although both of those chains operate some pharmacy departments, the stores adjoining Longs won't. The main competition for Longs will be Skaggs, Walgreens, and King Soopers, which "own" the Rx and H&BA business in Colorado.

Longs' strategy in Colorado closely resembles its incursion into Arizona. That is, initially, Longs' stores ring the outlying cities and move into the metropolitan areas only after a strong cluster has been forged. However, at this point Longs is not sure whether it will go into Denver.

Longs is sure of two things: one, that the Colorado stores will open faster than in Arizona, where it took five years to open 11 stores. And two, the chain wants to avoid the fate of both Hart Drug (Pay Less NW) and Eckerd, which opened drug stores in the Denver area and then pulled out. Lacking top locations as well as name identification, both chains were crushed primarily by King Soopers and Skaggs.

Observers note that if Pay Less had continued to spend heavily on advertising and promotion for another year, the chain could have turned the six Hart stores around. However, Pay Less execs felt that the funds could be better spent in their Pacific Northwest stronghold. Subsequent events proved them right.

—News in brief—

Malone & Hyde Stock purchased

MEMPHIS—Malone & Hyde Inc. has reported that 60% of its common stock outstanding has been acquired by Pitco Acquisition Corp., a company formed by several top executives from Malone & Hyde and Kohlberg, Kravis, Roberts and Co., an investment banking firm.

According to Malone & Hyde, Pitco has acquired 9.1 million shares of the food/drug wholesaler and retailer outstanding common stock. In addition, Malone & Hyde said that it repurchased 1.02 million shares of its common stock.

Last month, a group of senior Malone & Hyde executives led by Joseph Hyde III, chairman and president, offered $35 a share in a $585 million leveraged buyout.

Pathmark buys Purity Supreme

WOODBRIDGE, N.J.—Supermarkets General Corp., operators of Pathmark supermarkets and drug stores, has reached a definitive agreement to purchase Purity Supreme Inc. for $79.3 million in cash. The purchase had been expected.

The acquisition will afford Supermarkets General access into New England's retail food and drug market. Purity Supreme operates 43 supermarkets and Heartland food warehouses in Connecticut, Massachusetts, Maine and New Hampshire. The company's retail drug store holdings include 24 Pharmacity drug stores and Heartland deep discount drug stores.

Silvio A. Sappia dies

ALPINE, N.J.—Silvio A. Sappia, 84, one of the founders and a past executive vp of Bergen Drug Co., died June 2 in Hollywood, Fla., from an asthmatic condition.

A registered pharmacist and a past president of the New Jersey Pharmaceutical Association, Sappia had owned two pharmacies.

His son, Alfred E. Sappia, continues to be a major force in wholesale drug circles.

Humiston-Keeling names ceo

CHICAGO—Humiston-Keeling Inc., one of the largest privately owned drug wholesalers in the Midwest, has appointed Burton H. Olin, formerly president of the company, as chairman and ceo. His brother Larry G. Olin, previously executive vp, becomes president. The company also promoted Donald Sang to executive vp from his post as vp. Louis Genesen, formerly controller, was named vp finance, and Linda Olin Milberg, director of human resources, was promoted to vp.

Rite Aid files shelf registration

SHIREMANSTOWN, Pa.—Rite Aid has filed a shelf registration with the Securities Exchange Commission covering as much as $125 million of debt securities. Underwriters will include Goldman, Sachs & Co. and Merrill Lynch Capital Markets.

According to chain spokesman Pat Early, the filing gives the chain "flexibility" to move more quickly on stock offerings. The proceeds will be used for working capital, including payment of short-term debt outstanding.

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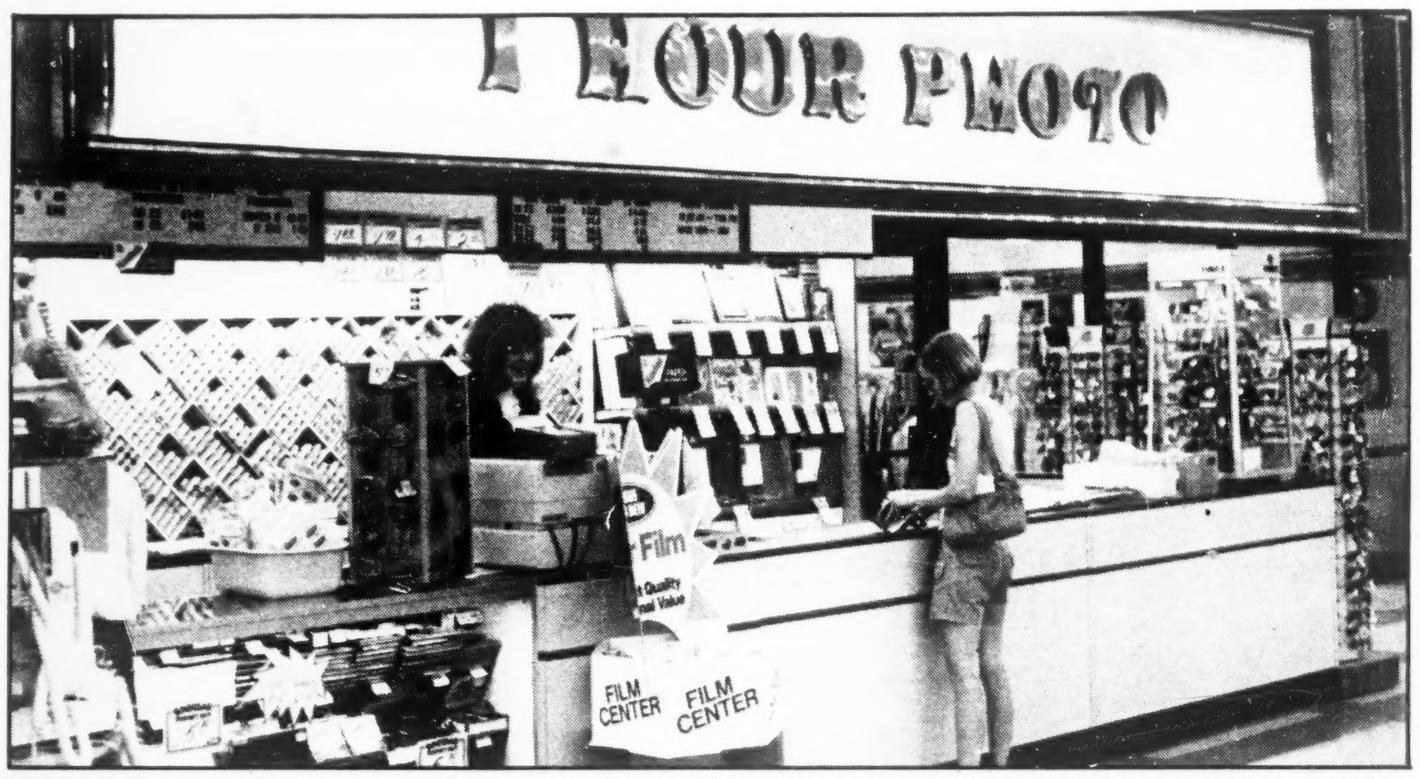

Skaggs has opened in-store, one-hour photo labs in three of its stores—in Salt Lake City, Clifton, Colo., and most recently in Bakersfield, Calif. Says one Skaggs employee: "Even if customers never use one-hour, its availability builds the quick-service image."

Skaggs opens third lab with 1-hour photo service

BAKERSFIELD, Calif.—Skaggs has opened its third in-store one-hour processing lab in a remodeled drug store on Main Street.

The chain opened its first one-hour processing lab in the new Skaggs Alpha Beta combo in Salt Lake City last November. Five months later, Skaggs opened its second in a new drug store in Clifton, Colo.

The new Sandy, Utah, store—opened in June 1984—was targeted for a one-hour processing lab, but the store opened without it. Skaggs execs would not comment on their reasoning.

Neither will Skaggs execs comment on the length of the test period and whether additional stores will be tested, but a Skaggs processing technician said. "I am sure they will give it a year before deciding whether to go ahead."

The glass-fronted lab is a 15-ft. extension of the service camera department on the front concourse.

Asked about the cost-effectiveness of one-hour, a member of Skaggs' store management team in Salt Lake City told *Drug Store News:* "Even if it's not, it has some important benefits. The principal one is that it gives the camera department an air of professionalism. When a customer complains about the quality of a print—or has a question—he can talk directly to a specialist. And when that customer is in the market for a camera, who do you think he will go to?"

Another benefit is that one-hour creates a reputation for fast photo-developing service. "Even if customers never use one-hour," says the store staffer, "its availability builds the quick-service image."

Still, the cost of one-hour processing is substantial.

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Comp-U-Card set to install systems in two Eckerd stores

CLEARWATER, Fla.—Comp-U-Card International will install its latest electronic shopping system, called "Video Comp-U-Store," in two Eckerd drug stores this fall.

An Eckerd spokesman, emphasizing that the electronic shopping system was "strictly a test," would not disclose the location of the two stores.

A third Eckerd outlet, in another of the corporation's retail divisions, is also scheduled to house the new system, but the spokesman would not say which division.

Eckerd is one of several retailers—the exact number has not yet been determined—who will receive an undisclosed percentage of sales made through the video shopping "kiosks" located in their stores.

The Video Comp-U-Store program will allow shoppers, without paying a membership fee, to order from 2,000 to 3,000 of the best-selling items from Comp-U-Card's 60,000-product data base. All items will be priced below the manufacturer's suggested retail price. However, the percentage of discount will vary with each item.

A broad range of products will be available to in-store shoppers, including video cassette recorders, televisions, jewelry and sporting goods.

There is no minimum purchase required, and the delivery charge and tax, when applicable, is figured into the price quoted on the kiosk computer screen. All except the very large items will be shipped by UPS from various vendors within two to three weeks.

The kiosks will look very much like freestanding video games or bank teller machines. Dinah Lin Cheng, vp of the

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Electronic 'store' to sell discount drug store goods

STAMFORD, Conn.—Comp-U-Card, a leading electronic merchandising service, will offer to its subscribers a data base featuring drug store merchandise at prices as much 40% below competitors.

The 11-year-old company hopes to have its deep-discount "store" on line to its 15,000 modem-equipped subscribers by November. According to Dinah Lin Cheng, Comp-U-Card vp, over 2,000 products including OTC drugs, toothpaste, shampoos and prestige fragrances will be available. No pharmaceuticals will be offered, however.

The goods will be ordered by computer from the subscribers' homes, charged to credit cards and delivered by UPS within two weeks. A minimum order of $50 is required for the service. Orders will be filled by local wholesalers or distributors.

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FINANCIAL

Cash offer for Jewel draws 75% of stock

SALT LAKE CITY—American Stores has reported that its cash tender offer for the Chicago-based Jewel Companies has been oversubscribed.

American's tender offer for the food and drug retailing concern indicated that the company was seeking to acquire 67% of total common stock and preferred stock outstanding. By the time the offer had expired on July 5, American said a preliminary report showed that approximately 11.8 million common shares and 2.8 million preferred shares of the Jewel stock outstanding were tendered, which represents approximately 75% of the total shares.

A meeting of shareholders of both American Stores and the Jewel Companies is scheduled to take place in August.

Rite Aid net income up 18.5%

SHIREMANSTOWN, Pa.—Rite Aid Corp. has announced that net income for the first quarter ended June 2 increased 18.5% to $13.5 million from $11.4 million last year.

Earnings per share rose to 32¢ from 27¢.

Sales increased 16.5% to $324.4 million.

McKesson sets yearly goal of 15% per-share growth

SAN FRANCISCO—McKesson Corp. has set a corporate goal of 15% annual compound growth in per-share earnings over the next three years, according to Neil E. Harlan, chairman and president.

"This three-year goal will be updated annually to take into account changes in the inflation rate, real growth of the Gross National Product and other external factors," Harlan said in a letter to stockholders contained in the 1984 annual report.

Other company objectives: a 15% return on average equity by 1987 (17% by 1989) and a debt-to-capital ratio that will provide the company with continuing access to capital markets on favorable terms.

At the end of the 1984 fiscal year, McKesson's return on average equity was 11.8% and the debt-to-capital ratio was 26%.

Harlan's letter also said the company is nearing the end of a transition period. "We are shedding those businesses with either unsatisfactory returns or limited growth prospects. In their place we have expanded, through acquisition and internal development, into new areas of distribution and services," he said.

One significant area that the company has almost abandoned is the food business.

The biggest food companies dropped by McKesson were Foremost Dairies in December 1982 and the C. F. Mueller pasta company in December 1983.

During the same period the company has expanded, through acquisition and internal development, into veterininary supplies, personal computer software distribution, first aid supplies and equipment, durable medical equipment, fragrances and office supplies.

Dart stock up sharply as buyout is completed

Name	Symbol	STOCK PRICE From 06/15/84 - 07/02/84 High	Low	Close	Monthly Change Amt	Monthly Change Pct	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend (% per day) Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend (% per day) Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. rate Amt.	Indicated Dvd. rate Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																											
Adams Drug	ADG	14.50	11.50	12.75	1.13	9.68	24.88	11.00	.39	-1.62	1.62	-8.43	1.74	62 F	55.3	40.0	2.4	7.3	.04	3	06-11-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	33.00	27.25	32.75	5.38	19.63	44.00	26.50	.25	1.02	-.81	16.57	3.61	92 F	34.2	62.0	1.5	9.1	.64	2.0	06-20-84	7983.7	117.9	1.5	12.39	15.26	0184
Begley Drug	BGLY	14.50	14.50	14.50	.00	.00	23.00	14.50	-.30	-.08	-3.42	27.27	1.47	1.46 N	NC	-10.0	1.4	9.9	.68	4.7	04-13-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	10.50	9.88	10.13	-.38	-3.57	14.50	8.88	.35	.64	-4.14	-40.14	.53	.14 Q	33.3	23.0	3.0	18.1	.00	0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Dart Drug Corp	DRUGA	105.50	86.00	103.00	17.00	19.77	143.00	57.00	.67	2.40	5.63	-30.88	5.43	6.32 N	207.2	67.0	3.1	11.0	.13	1	06-04-84	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	4.13	3.50	3.75	.00	.00	9.31	3.50	-1.16	1.57	-5.22	-25.00	.56	.56 F	NC	NC	2.1	6.7	.00	0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	24.25	21.75	23.25	1.50	6.90	29.38	20.63	.28	.11	2.60	-3.19	1.91	.31 N	16.5	6.0	3.1	10.7	1.00	4.3	06-11-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	9.88	8.38	9.38	1.00	11.94	14.50	8.38	-.19	.63	-.55	-7.19	.60	.15 Q	31.2	56.0	2.6	14.9	.20	2.1	06-18-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	14.63	13.88	14.63	.75	5.41	20.50	10.19	.55	1.04	-5.73	21.43	.96	.31 Q	43.6	79.0	2.0	14.3	.20	1.4	06-14-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	20.75	19.00	20.75	1.75	9.21	29.50	18.50	.19	.39	-.71	-17.00	2.01	.03 Q	1.6	8.0	2.7	11.0	1.00	4.8	07-09-84	320.5	8.7	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	38.25	36.13	37.63	-.38	-.99	49.75	34.00	-.03	.55	.04	28.32	3.43	.45 Q	14.8	11.0	3.0	10.8	1.28	3.4	05-22-84	1214.4	36.4	1.9	.00	20.32	0184
Pay N Save	PAYN	17.63	16.25	17.63	1.25	7.63	28.75	14.38	.32	1.61	-4.58	19.40	2.02	.38 Q	25.1	3.0	2.5	9.3	.60	3.4	05-21-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	18.13	15.50	17.63	2.00	12.80	19.88	14.00	.48	.09	3.17	-37.32	1.35	.30 Q	27.0	4.0	2.9	12.5	.34	1.9	06-18-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	15.00	14.00	14.38	.13	.88	22.38	12.38	.23	.43	-.93	-16.91	1.02	.37 Q	50.0	11.0	1.6	13.0	.24	1.7	05-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	28.25	25.63	28.25	2.63	10.24	37.50	24.00	.34	.37	1.38	-32.31	2.13	.56 N	29.7	24.0	3.7	11.6	.80	2.8	06-11-84	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	21.13	18.50	20.25	1.75	9.46	23.44	17.50	.45	-.33	-1.50	14.20	1.76	.57 F	47.8	43.0	5.1	11.5	.41	2.0	04-10-84	1223.3	62.2	2.3	.49	7.68	0284
Thrifty Cp	TFD	15.88	14.75	15.38	.63	4.24	24.50	11.50	.16	.28	1.98	9.19	1.13	.28 S	28.0	19.0	1.9	12.0	.52	3.4	05-04-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	36.13	32.38	34.75	2.38	7.34	40.38	28.63	.65	-1.19	-1.68	3.49	2.24	.57 S	29.0	34.0	2.9	13.7	.72	2.1	05-14-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	22.88	19.75	21.75	2.13	10.83	35.50	19.00	.27	-.06	-3.15	3.41	1.60	.21 N	13.2	36.0	1.4	12.1	.32	1.5	07-26-84	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	36.25	33.38	34.75	1.25	3.73	49.63	32.38	.18	-.65	-3.46	-12.76	3.25	.04 F	1.2	1.0	1.5	10.7	2.40	6.9	05-25-84	4275.9	63.0	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	22.00	20.75	22.00	1.25	6.02	28.50	20.00	-.02	.21	3.87	65.79	.94	1.43 N	NC	103.0	.7	15.4	.00	0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	14.00	12.25	12.25	-.63	-4.85	21.00	11.38	-.04	-1.92	-3.16	-32.00	.89	.51 N	113.3	97.0	.4	12.8	.00	0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	13.13	11.25	13.13	1.63	14.13	18.50	11.25	.38	-.14	.34	57.83	1.41	.48 Q	53.3	12.0	1.2	9.5	.36	2.7	03-09-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	21.50	19.38	21.00	1.25	6.33	28.75	15.50	.29	.43	-1.66	17.98	1.78	.43 F	31.8	63.0	1.8	11.8	.14	.7	03-30-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	45.50	42.75	43.13	.50	1.17	53.38	38.25	.36	-.55	-.26	-14.11	2.86	.50 Q	20.2	27.0	11.9	14.5	1.20	2.8	07-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	54.88	53.00	53.50	.00	.00	55.75	43.63	.07	-.54	.21	16.06	4.00	.41 F	11.4	17.0	12.9	13.4	2.64	4.9	05-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	15.63	14.75	15.25	.38	2.52	31.31	14.75	-.34	.28	.90	-31.20	1.45	.10 Q	7.8	24.0	11.8	11.1	.33	2.2	06-05-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	27.50	26.00	26.00	-1.50	-5.45	32.03	25.25	-.11	-.70	-2.28	-7.14	3.28	.33 F	11.1	16.0	10.0	7.9	1.00	3.8	06-05-84	238.2	23.9	2.5	2.35	17.84	0383
Bolar Pharm	BLR	28.50	26.88	28.00	1.00	3.70	31.50	17.50	.22	.24	1.00	3.16	1.15	.27 Q	30.3	53.0	19.2	24.1	.05	.2	02-10-84	25.5	4.9	4.9	.00	4.76	1283
Bristol-Myers	BMY	49.38	46.00	46.63	.13	.27	49.38	35.75	.30	-.17	1.13	8.90	3.00	.45 Q	16.7	20.0	10.4	14.9	1.60	3.4	06-29-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	22.88	20.63	21.88	1.75	8.70	26.38	18.00	.41	-.41	4.24	-30.28	2.25	.69 F	301.7	20.0	5.4	9.7	.48	2.2	04-13-84	323.1	17.5	2.6	1.57	20.15	0383
Cooper Labs	COO	27.00	23.50	26.38	1.75	7.11	27.00	10.38	.34	1.49	3.84	51.65	NA	NA	NA	NA	NA	NA	.12	.5	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	15.88	14.00	15.38	.88	6.03	40.75	13.50	-.59	1.20	2.25	34.61	.54	.06 F	12.5	59.0	13.4	28.5	.00	0	01-14-83	21.6	2.9	3.7	.37	3.03	0383
ICN Pharm	ICN	8.50	6.88	8.13	1.25	18.18	13.88	4.88	1.00	-.22	5.33	-27.55	.22	-.09 Q	-28.1	43.0	5.1	35.3	.00	0	00-00-00	37.0	1.9	4.3	.20	4.34	1183
Key Pharm	KPH	13.13	12.13	12.38	-.38	-2.94	25.75	10.63	.17	-.49	-3.16	-30.35	.51	.17 Q	44.7	83.0	14.8	22.5	.16	1.3	06-11-84	127.3	18.8	2.1	1.16	1.67	1283
Lilly Eli Co	LLY	64.00	59.63	60.00	-1.88	-3.03	68.38	56.63	.23	-.92	1.04	6.98	6.13	.89 Q	16.3	12.0	15.1	9.5	2.90	4.8	05-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.50	3.25	3.38	.00	.00	3.75	2.00	.54	-.36	-6.52	6.10	-.49	.54 Q	NE	57.0	-14.3	NE	.00	0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	39.25	37.25	38.00	.50	1.33	48.00	27.25	.80	.02	-2.27	22.71	.78	.46 N	69.6	17.0	8.2	33.9	.40	1.1	06-14-84	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	92.88	89.75	91.00	.88	.97	104.63	82.63	.21	-.21	-1.47	16.74	6.10	.58 Q	10.2	7.0	13.9	14.6	3.00	3.3	05-29-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	77.75	72.50	75.00	1.75	2.39	84.50	60.00	-.01	-.51	1.05	15.41	5.15	1.25 N	25.7	17.0	5.2	12.3	1.76	2.3	05-24-84	1509.2	78.5	1.4	8.90	32.79	0683
Mylan Labs	MYLN	27.13	23.50	27.13	3.13	13.02	27.13	9.16	1.27	.89	5.81	-3.01	.60	.17 F	39.5	107.0	12.7	45.2	.08	.3	05-21-84	36.9	4.7	5.4	.31	2.28	0384
Newport Pharm	NWPH	4.75	4.50	4.50	-.13	-2.70	10.75	4.25	-.17	-1.13	.58	-17.28	-.03	-.09 N	NE	14.0	-3.4	NE	.00	0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	34.75	32.00	32.50	.50	1.56	44.50	30.88	.23	-.88	-.95	-7.40	2.73	.60 Q	27.0	19.0	11.9	11.5	1.32	4.1	05-14-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.63	3.38	3.38	-.25	-6.90	5.00	2.75	-.38	-1.25	-1.65	-3.81	.10	.05 N	30.0	56.0	6.1	26.0	.05	1.5	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	14.25	13.00	14.13	.63	4.63	29.38	13.00	-1.02	1.64	-.34	30.96	2.40	.20 Q	9.1	20.0	10.3	5.9	.68	4.8	05-04-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	31.88	30.00	31.13	.88	2.89	34.25	25.25	.21	-.27	-6.15	-1.54	2.02	.24 Q	13.0	11.0	8.9	15.0	1.08	3.5	05-04-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	10.88	9.13	10.88	1.00	10.13	28.25	9.13	-.63	1.88	6.71	16.73	.52	-.52 F	-50.0	-1.0	2.3	20.9	.32	2.9	03-14-84	171.7	4.0	2.5	4.57	10.88	0383
Searle, GD	SRL	47.38	44.00	44.88	.38	.84	55.88	37.50	.69	-.45	-.31	12.11	2.39	-.17 F	-6.6	14.0	11.6	18.8	.52	1.2	05-08-84	946.0	110.0	2.2	4.10	13.32	1282
Squibb Corp	SQB	46.38	41.25	46.00	4.13	9.85	55.63	37.50	.63	.42	2.14	-9.74	3.31	.33 Q	10.8	11.0	9.8	13.7	1.44	3.1	05-14-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	27.25	24.88	26.25	1.25	5.00	29.63	23.50	.32	.35	-.51	19.42	2.24	.13 Q	6.0	7.0	7.2	11.6	1.16	4.4	05-01-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	46.13	40.38	42.50	.38	.89	61.50	37.75	.26	1.21	.97	-35.13	4.30	.40 S	9.9	36.0	17.2	9.6	1.60	3.8	05-07-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	25.63	23.63	25.00	1.25	5.26	26.50	12.75	.45	.35	2.84	62.30	1.65	.76 Q	61.7	70.0	11.0	12.6	.40	1.6	06-11-84	149.4	16.5	4.5	.00	4.53	1182
Upjohn Co	UPJ	68.25	64.00	64.13	-.63	-.97	72.25	50.75	.08	-1.11	-2.43	30.96	5.28	1.65 Q	38.7	2.0	8.1	10.9	2.56	4.0	03-30-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	32.88	30.13	31.00	.88	2.90	36.75	26.38	.29	-.81	-1.13	9.88	2.51	.50 Q	23.6	1.0	6.5	11.9	1.48	4.8	04-30-84	3108.3	200.5	1.9	7.53	17.75	1283
Zenith Labs	ZENI	15.25	12.00	15.00	.25	1.69	17.75	12.00	-.80	3.18	8.37	-2.73	.73	-.54 Q	-45.7	61.0	7.8	23.4	.00	.0	00-00-00	32.1	2.5	4.6	1.12	5.12	1283

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

PHARMACY

Amoxicillin/ampicillin market trends, March 1984

Drug Description	Manufacturer	% Retail market share 12/82	% Retail market share 3/84	Average Qty/Rx 3/84	Average price 12/82	Average price 3/84	% Retail margin* 12/82	% Retail margin* 3/84
Amoxil susp 250mg/5ml	Beecham	11.0	13.9	—	$ 8.31	$ 7.90	38	43
Amoxil cap 250mg	Beecham	8.2	11.4	25	7.80	7.41	45	46
Amoxil susp 125mg/5ml	Beecham	10.2	9.1	—	6.08	6.02	52	57
Amoxil cap 500mg	Beecham	3.3	6.0	23	11.61	10.79	31	37
Omnipen cap 250mg	Wyeth	5.0	5.3	29	6.01	5.84	55	57
Omnipen cap 500mg	Wyeth	4.3	4.1	28	8.21	8.02	42	46
Amcill cap 250mg	Parke Davis	2.9	3.2	30	5.98	5.96	56	59
Wymox susp 250mg/5	Wyeth	1.9	2.7	—	9.58	8.58	29	34
Wymox cap 250mg	Wyeth	1.4	2.4	26	8.78	7.97	36	42
Amcill cap 500mg	Parke Davis	2.2	2.3	29	8.36	8.18	43	46
Amoxil Chewable 250mg	Beecham	—	1.8	28	—	9.36	—	43
Amoxicillin cap 250mg	Parke Davis	—	1.8	26	—	8.80	—	35
SK Ampicillin cap 250mg	SKF	2.9	1.7	31	5.09	5.20	65	68
Omnipen susp 250mg/5ml	Wyeth	2.2	1.6	—	7.23	7.07	47	50
Amoxicillin susp 250mg/5ml	Parke Davis	—	1.6	—	—	9.54	—	31
Wymox susp 125mg/5ml	Wyeth	—	1.6	—	—	6.49	—	47
Spectrobid tab 400mg	Roerig	2.2	1.4	15	15.94	17.35	27	26
SK Ampicillin cap 500mg	SKF	2.4	1.3	29	7.13	7.00	50	55
Totacillin cap 250mg	Beecham	1.8	1.1	30	6.56	8.74	46	46
Ampicillin cap 250mg	Lederle	—	1.1	30	—	5.95	—	66
Larotid susp 250mg/5ml	Roche	3.0	1.1	—	8.33	8.20	56	40
Wymox cap 500mg	Wyeth	—	1.1	25	—	11.50	—	31
Trimox susp 250mg/5ml	Squibb	—	1.0	—	—	8.04	—	44
Ampicillin cap 250mg	Generic**	2.0	1.0	30	4.81	5.80	58	65
Top 24		79.1	79.6	—	7.74	8.15	43	46
All Others		20.9	20.4	—	7.60	6.02	38	36
Total		100.0	100.0	—	7.71	7.72	42	44

*Margins are calculated based on average wholesale prices.
**Includes prescriptions filled with other than nationally promoted products.
Source: PharmAssist

Script survey

Generics play smaller role in amoxicillin/ampicillin field

NEW YORK—The amoxicillin/ampicillin drug store market experienced significant changes during the 15-month period from January 1983 through March 1984. Among them:

- Beecham tightened its grip on the market, as the firm's drug store script volume advanced nine share points. The firm now commands 43% of all amoxicillin/ampicillin scripts.
- Generics are playing a less significant role among the leading 24 ampicillin/amoxicillin products dispensed through drug stores. This year, for the first time, only generic ampicillin 250mg capsules made the list of leading products. In 1982, however, generic versions of ampicillin 250mg and 500mg as well as amoxicillin 250mg held positions among the top 24 products dispensed.
- Although the price of an average ampicillin/amoxicillin script remained unchanged at $7.72, the average price of the market leaders' scripts gained 40¢ and now stands at $8.15. Prices among the all other group averaged $6.02 per script, a decline of almost $1.60.

These were some of the main findings of a survey conducted by Texas-based PharmAssist from script data collected during March 1984.

Other findings indicated that retailer margins for ampicillin/amoxicillin products averaged 44%, a 2– point gain over previous levels. The margin gain was even stronger among the top 24 products, which chalked up a record average of 46%.

Although retailer margins advanced for almost all leading products, the average prescription price paid by consumers for seven of the top 10 amoxicillin/ampicillin products declined. This means manufacturers such as Beecham, Wyeth and Parke-Davis cut prices to retailers and a portion of the price decline passed through to consumers.

Retailer margins for the "All Other" category fell 2 points to 36% during the audit period.

Products appearing for the first time among the top 24 include Amoxil Chewables 250mg (Beecham), Amoxicillin 250mg Caps and Suspension 250mg/5ml (Parke-Davis) and Wymox 500mg Caps and 125mg/5ml Suspension (Wyeth).

SKF president is honored by college

PHILADELPHIA—Tom Collins received an honorary doctor of pharmacy degree from the Massachusetts College of Pharmacy and Allied Health Sciences.

The SKF Labs president received the degree for distinguished service to the profession of pharmacy and to the pharmaceutical industry.

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Triple A Product Study

Fast-track products lead promo race

Top 10 fastest moving GM/H&BA products (unit sales)

Rank	Product	Size
1	Kodak film	C110-24
2	Kodak film	CP135-24
3	Kodak Disc film	single
4	Chap Stick	
5	Fleet Enema	
6	Kodak film	C110-12
7	Duracell alkaline "D" batteries	twin
8	Crest regular	6.4 oz.
9	Isomil RTF	32 oz.
10	Kodak film	CM135-24

Source: *Drug Store News* 1984 Triple A study

Top 10 highest volume GM/H&BA products (dollar sales)

Rank	Product	Size
1	Polaroid SX 70	single
2	Kodak film	C110-24
3	Slim Fast powder	16 oz.
4	Huggie's Toddler diapers	33's
5	Kodak film	CP135-24
6	Polaroid film 600	single
7	Huggie's Daytime diapers	48's
8	Polaroid SX 70	Twin
9	Luvs large convenience diapers	32's
10	Kodak film instant	PR10

Source: *Drug Store News* 1984 Triple A study

Top 10 most profitable GM/H&BA products (gross profit dollars)

Rank	Product	Size
1	Duracell Alkaline "AA" batteries	4's
2	Kodak film	C110-24
3	Kodak film instant	PR10
4	Kodak Disc film	Twin
5	Kodak film	CP135-24
6	Kodak Disc film	single
7	Soflens tablets	24's
8	Energizer "AA" Alkaline batteries	4's
9	Duracell Alkaline "D" batteries	2 pack
10	Kodak film	CM135-24

Source: *Drug Store News* 1984 Triple A survey

What is a Triple A product? Basically, it is a product that shoppers know by name, by reputation and by package and purchase by price.

Thus began the editors' introduction to the first Triple A Product Study published 15 years ago in *Chain Store Age Drug Edition, Drug Store News*' predecessor.

In the end, the editorial went on to say, the primary function of Triple A merchandise is to draw traffic.

There have been a lot of changes in drug store merchandising in the past decade and a half, but the basic premise set down in that first Triple A study remains as true—and as fresh—today as it ever was.

The Triple A products are the ones that provide drug store retailers with promotional heat. They are featured in ads and they are given preferential in-store treatment. They pull the traffic and they generate hefty gross profit dollars.

Typically, the same products and manufacturers turn up on the Top 100 list year after year. What would a Triple A Study be, for example, without a Procter & Gamble or Colgate-Palmolive, without a Kodak or Polaroid, without a Gillette or Johnson & Johnson?

These are the super marketers. They create consumer demand with useful products, and they spend the money to keep those products alive in customers' minds.

But while the basic core of products remains the same year after year, the Top 100 list continues to undergo change as new consumer needs create fresh product introductions. The recent growth of products geared for contact lens users is a good example.

Although retailers in the past 15 years have grown a great deal more sophisticated in tracking item movement, the concept of a national list of best-selling products remains as useful today as it ever was. It can still serve as a promotional barometer and as a checklist against which

Continued on page 49

Triple A Product Study

The top 100 items, ranked by unit volume

Item	Size
1. Kodak film	C110-24
2. Kodak film	C135-24
3. Kodak Disc film	single
4. Chap Stick	
5. Fleet Enema	
6. Kodak Film	C110-12
7. Duracell Alkaline "D"	2 pack
8. Crest regular	6.4 oz.
9. Isomil RTF	32 oz.
10. Kodak film	CM135-24
11. Duracell Alkaline "C"	2 pack
12. Aquafresh toothpaste	6.4 oz.
13. Duracell Alkaline "AA"	4 pack
14. Energizer "D" Alkaline	2 pack
15. Similac regular RTF	32 oz.
16. Energizer "AA" Alkaline	4 pack
17. Enfamil RTU	32 oz.
18. Energizer "C" Alkaline	2 pack
19. Kodak Disc film	twin
20. Mylanta liquid	12 oz.
21. Kodak film	CP135-36
22. Tylenol Extra Strength tabs	60's
23. Energizer "AA" Alkaline	2 pack
24. Tampax Super	40's
25. Q Tips flexible swabs	170's
26. Huggies Toddler diapers	33's
27. Sweet 'N Low	100's
28. Good News disposable razor	3's
29. Robitussin DM	4 oz.
30. Duracell Alkaline 9 Volt	
31. Similac Liquid with Iron	13 oz.
32. Polaroid film SX 70	Single
33. Bayer aspirin	100's
34. Tylenol Extra Strength tabs	30's
35. Listerine	32 oz.
36. Bic men's shaver	5's
37. Nyquil	6 oz.
38. Polaroid film 600	Single
39. Colgate toothpaste regular	9 oz.
40. Anacin tabs	100's
41. Vidal Sassoon Shampoo	8 oz.
42. Crest Mint	6.4 oz.
43. Actifed tabs	24's
44. Visine eye drops	½ oz.
45. Eveready Heavy Duty	2 pack
46. Similac with Iron RTF	32 oz.
47. Baby Fresh Jumbo Wipes	80's
48. Energizer 9-Volt Alkaline	
49. Oral B 40 toothbrush	
50. Listerine	12 oz.
51. Rolaids	Single pack
52. Tylenol Extra Strength tabs	100's
53. Atra Cartridges	5's
54. Maalox liq	12 oz.
55. Kodak film	C126-24
56. Eveready Heavy Duty "C"	2 pack
57. Tylenol Extra Strength caps	50's
58. Bausch & Lomb Saline Solution	8 oz.
59. Tampax original regular	40's
60. Mennen Speed Stick Regular	2.5 oz.
61. Eveready "AA" Heavy Duty	4 pack
62. Bausch & Lomb Saline Solution	12 oz.
63. Oil of Olay	4 oz.
64. Tylenol Extra Strength	24's
65. Efferdent tabs	60's
66. Dristan tabs	24's
67. Enfamil Liquid with Iron	13 oz.
68. Halls Mentho-Lyptus	
69. Pepto Bismol	8 oz.
70. Tylenol Chewable	30's
71. Oral B 60 toothbrush	
72. Sylvania Super 10 Flip Flash	
73. Luv Medium Convenience diapers	48's
74. Sylvania Magicubes	
75. Luvs Large Convenience diapers	32's
76. Vaseline Jelly	3.75 oz.
77. Reach toothbrush med	
78. Aquafresh toothpaste	4.6 oz.
79. Alka Seltzer Plus	36's
80. Contac caps	10's
81. Bufferin tabs	100's
82. Alka Seltzer foil	36's
83. Bayer aspirin	50's
84. Colgate Winterfresh gel	6.4 oz.
85. Ban Roll-on regular	1.5 oz.
86. Vicks Formula 44-D	3 oz.
87. Huggies daytime diapers	18's
88. Vaseline Jelly	1.75 oz.
89. Massengill Douche Vinegar	Twin
90. Crest Mint	8.2 oz.
91. Kodak film	CM135-36
92. Summers Eve Disp Douche	Twinpack
93. Pampers Elastic Toddler	12's
94. Barbasol Bomb Regular	11 oz.
95. Crest Regular	8.2 oz.
96. Kodak film instant	PR10
97. Ban Roll-on unscented	1.5 oz.
98. Maalox Plus liquid	12 oz.
99. Stayfree Maxi Pads	12's
100. Soflens tabs	24's

Fast-track products lead promo race

Continued from page 47

retailers can compare their own lists of hot performers.

Film dominates lists

In this year's Triple A Product Study, the top 10 places on the dollar, unit and profit charts are again dominated by film products, with Polaroid's SX 70 instant film emerging as the No. 1 dollar producer and Kodak's C110 film heading the unit list.

In fact, Kodak managed to grab five places on the Top 10 unit list and three on the Top 10 dollar list, while Polaroid's SX 70 film took two of the places on the Top 10 dollar list—first place for its single pack and sixth for the twinpack.

As for gross profit dollars, film was even more dominant, with six of the Top 10 places going to Kodak products.

This year batteries were tracked for the first time in the Triple A Study. Highly consumable and placed at heavy traffic locations, batteries scored in the survey, gaining 12% of the places on the unit list, 9% of the dollar places and 13% of the profit dollar spots.

On the Top 10 lists, batteries were particularly strong in generating gross profit dollars, gaining 3 of the 10 places.

In terms of profit dollars, the only other category besides film and batteries to gain a place on the Top 10 list was eye/lens care—Bausch & Lomb's Softlens 24s.

Other categories that took places on the Top 10 lists in dollars and units included cough/cold, laxatives, baby needs, dental/oral care and reducing aids.

Computerized data

To compile the 1984 Triple A Product Study, *Drug Store News* computerized and ranked warehouse withdrawal data from a wide variety of retail drug store chains and major wholesalers. The data was for a full year, which eliminated seasonal skews.

We originally started out comparing item movement, dollar sales and gross profit dollars within 21 specially selected general merchandise and health and beauty aid categories.

By the time we had finished ranking and computerizing the data, however, only 13 categories emerged as major players in the Top 100 rankings.

In the Top 100 unit sales list, there were a total of 17 categories, but only 13 of these had more than three products represented.

Fifteen categories emerged in the dollar sales ranking, but only 11 had more than three products represented.

On the gross profit dollar list, there were also 15 categories, but only 11 of these had more than three products.

Most productive categories (number of products in Top 100)

Category	Rank in unit sales	Rank in dollar sales	Rank in gross profit dollars
Film	1	2	1
Dental needs	1	6	3
Baby needs	2	1	4
Batteries	2	5	2
Analgesics	3	3	2
Cough/cold	4	4	2
Antacids	5	7	6
Feminine hygiene	6	8	4
Eye care needs	7	8	5
Deodorants	8	—	6

Source: *Drug Store News* 1984 Triple A study

Five top categories

Stories on the major categories appear throughout this section, but to summarize the results, there were five categories that repeatedly made it into the top rankings in all three dimensions.

Film, again, was the top-producing category. In addition to its domination of the top 10 lists, it also scored heavily on the Top 100. Film gained 14% of the places in unit sales, 17% in dollar sales and 15% in gross profit dollars.

Only in dollar sales was there a product category that gained more places than film on the Top 100 list, and that was baby needs.

Baby needs, with 12 products ranked in the Top 100 unit sales list, tied with batteries (12 products ranked in the Top 100) for the second most productive category.

The baby needs category, with its thin margins, was not as productive in terms of gross profit dollars, but it did manage to come in fourth with seven places on the Top 100 list.

Dental needs, which placed 14 products on the Top 100 list, tied with film in that area, but the category took third place in gross profit dollars with eight products.

Triple A Product Study

The top 100 items, ranked by dollar volume

Item	Size
1. Polaroid SX 70	Single
2. Kodak film	C110-24
3. Slim Fast powder	16 oz.
4. Huggies Toddler diapers	33's
5. Kodak film	CP135-24
6. Polaroid film 600	Single
7. Huggies Daytime diapers	48's
8. Polaroid SX70 Film	Twin
9. Luvs Large Convenience diapers	32's
10. Kodak film instant	PR10
11. Kodak Disc film	Single
12. Kodak Disc film	Twin
13. Listerine	32 oz.
14. Pampers Elastic Toddler	48's
15. Luv Medium Convenience diapers	48's
16. Kodak film	CM135-24
17. Kodak film	CP135-36
18. Pampers Elastic Extra Absorb	60's
19. Oil Of Olay	4 oz.
20. Polaroid Film 600	Twin
21. Energizer "AA" Alkaline	4 pack
22. Duracell Alkaline "AA"	4 pack
23. Tylenol Extra Strength tabs	100's
24. Dexatrim Extra Strength caps	20's
25. Similac with Iron RTF	32 oz.
26. Kodak film	CM135-36
27. Tylenol Extra Strength tabs	60's
28. Centrum vitamins	100/30
29. Kodak film	C110-12
30. Duracell Alkaline "D"	2 pack
31. Isomil RTF	32 oz.
32. Duracell Alkaline "C"	2 pack
33. Actifed tabs	24's
34. Tampax Original Regular	40's
35. Mylanta liquid	12 oz.
36. Nyquil	6 oz.
37. Anacin tabs	100's
38. Similac Regular RTF	32 oz.
39. Energizer "D" Alkaline	2 pack
40. Energizer "C" Alkaline	2 pack
41. Crest regular	6.4 oz.
42. Aquafresh toothpaste	6.4 oz.
43. Tylenol tabs	100's
44. Tylenol Extra Strength caps	50's
45. Tylenol Extra Strength caps	100's
46. Robitussin DM	4 oz.
47. Huggies Daytime Diapers	18's
48. Baby Fresh Jumbo Wipes	80's
49. Bayer aspirin	100's
50. Tylenol Extra Strength tabs	30's
51. Atra cartridges	10's
52. Dexatrim Extra Strength caps	40's
53. Maalox liquid	12 oz.
54. Tylenol Chewable	30's
55. Bausch & Lomb Saline Solution	12 oz.
56. Nyquil	10 oz.
57. Duracell Alkaline 9 Volt	
58. Tylenol Elixir	4 oz.
59. Scope mouthwash	40 oz.
60. Enfamil RTU	32 oz.
61. Visine eye drops	½ oz.
62. Tylenol Drops	½ oz.
63. Similac Liquid with Iron	13 oz.
64. Bufferin tabs	100's
65. Stayfree Maxi Pads super	30's
66. Excedrin tabs	100's
67. Tylenol Extra Strength caps	24's
68. Dristan tabs	24's
69. Energizer "AA" Alkaline	2 pack
70. Pampers Elastic Toddler	12's
71. Energizer 9-Volt Alkaline	
72. Vidal Sassoon shampoo	8 oz.
73. Chap Stick	
74. Tampax Super Plus	40's
75. Afrin Nasal Spray	15ml
76. Fleet Enema	
77. Gilette Trac II	9's
78. Efferdent tabs	96's
79. Sudafed tabs 30mg	24's
80. Atra cartridges	15's
81. Huggies Toddler diapers	12's
82. Actifed tabs	12's
83. Maalox Plus liquid	12 oz.
84. Contac caps	10's
85. Kodak film	CL135-24
86. Atra cartridges	5's
87. Prosobee RTU	32 oz.
88. Enfamil with Iron	13 oz.
89. Bausch & Lomb Saline Solution	8 oz.
90. Pampers Toddler	48's
91. Colgate toothpaste reg	9 oz.
92. Kodak film	C126-24
93. Sylvania Super 10 Flip Flash	
94. Correctol tabs	30's
95. Dristan tabs	24's
96. Efferdent tabs	60's
97. Pepto Bismol	8 oz.
98. Drixoral tabs	10's
99. Sylvania Magicubes	
100. Metamucil powder	14 oz.

Analgesics show consistency across the board

Analgesics emerged as one of the strongest categories in *Drug Store News*'s annual Triple A Product Study rankings.

The category captured 10% of all unit movement sales, 14% of all dollar sales, and 10% of all gross profit dollar sales.

The best sellers on all three dimensions were Tylenol products: Tylenol Extra Strength tabs 60's was No. 1 in the category on unit sales and 22nd in the Top 100, while Tylenol Extra Strength tabs 100's was No. 1 in the category in dollar sales and 23rd in the overall dollar rankings.

Tylenol's chewable's 30's was at the head of the category list in gross profit dollar rankings while making it into the 24th spot on overall top 100 gross profit dollar rankings.

Out of the 10 analgesic products that made it into the Top 100 ranking, four were aspirin-containing products and of these four, two, or half, were Bayer aspirin products.

Bufferin was the only buffered aspirin product to make the list, turning up ninth in the category in terms of unit sales and 81st in the Top 100 unit sales. Bufferin also placed 14th in its category and 64th overall in dollar sales. It placed 12th in its category and 96th in gross profit dollar sales.

The fastest moving analgesic products (unit movement)

Rank in Category	Item	Rank in Top 100
1	Tylenol Extra Strength tabs 60's	22
2	Bayer aspirin 100's	33
3	Tylenol Extra Strength tabs 30's	34
4	Anacin tablets 100's	40
5	Tylenol Extra Srength tabs 100's	52
6	Tylenol Extra Strength caps 50's	57
7	Tylenol Extra Strength tabs 24's	64
8	Tylenol Chewable 30's	70
9	Bufferin tabs 100's	81
10	Bayer aspirin 50's	83

Source: *Drug Store News* 1984 Triple A Study

The most profitable analgesic products (gross profit dollars)

Rank in Category	Item	Rank in Top 100
1	Tylenol Chewable 30's	24
2	Tylenol Elixir 4 oz.	29
3	Tylenol Extra Strength tabs 100's	32
4	Tylenol Drops ½ oz.	35
5	Tylenol Extra Strength tabs 60's	39
6	Tylenol Extra Strength caps 24's	42
7	Tylenol Extra Strength tabs 30's	44
8	Tylenol Extra Strength caps 50's	62
9	Tylenol tabs 24's	73
10	Anacin tabs 100's	79
11	Ben Gay Greaseless 1¼ oz.	88
12	Bufferin tabs 100's	96
13	Ecotrin tabs 100's	99

Source: *Drug Store News* 1984 Triple A Study

The highest volume analgesic products (dollar sales)

Rank in Category	Item	Rank in Top 100
1	Tylenol Extra Strength tabs 100's	23
2	Tylenol Extra Strength tabs 60's	27
3	Anacin tabs 100's	37
4	Tylenol tabs 100's	43
5	Tylenol Extra Strength caps 50's	44
6	Tylenol Extra Strength caps 100's	45
7	Bayer aspirin 100's	47
8	Tylenol Extra Strength tabs 30's	50
9	Tylenol Chewable 30's	54
10	Tylenol Elixir 4 oz.	58
11	Tylenol Drops ½ oz.	62
12	Bufferin tabs 100's	64
13	Excedrin tabs 100's	66
14	Tylenol Extra Strength caps 24's	67

Source: *Drug Store News* Triple A Study

Triple A Product Study

Top 100 profit dollars

Item	Size
1. Duracell Alkaline "AA"	**4 pack**
2. Kodak film	**C110-24**
3. Kodak film instant	**PR10**
4. Kodak Disc film	**Twin**
5. Kodak film	**CP135-24**
6. Kodak Disc film	Single
7. Soflens tabs	24's
8. Energizer "AA" Alkaline	4's
9. Duracell Alkaline "D"	2 pack
10. Kodak film	CM135-24
11. Duracell Alkaline "C"	**2 pack**
12. Kodak film	**CM135-36**
13. Polaroid SX 70	**Single**
14. Kodak film	**CP135-36**
15. Actifed tabs	**24's**
16. Huggies Toddler diapers	33's
17. Energizer "D" Alkaline	2 pack
18. Polaroid film 600	Single
19. Energizer "C" Alkaline	2 pack
20. Chap Stick	
21. Centrum tabs	**100/30**
22. Duracell Alkaline 9-Volt	
23. Sure & Natural Maxi's	**30's**
24. Tylenol Chewable	**30's**
25. Energizer "AA" Alkaline	**2 pack**
26. Energizer 9-Volt Alkaline	
27. Actifed tabs	12's
28. Sudafed tabs 30mg	24's
29. Tylenol Elixir	4 oz.
30. Kodak film	C110-12
31. Bausch & Lomb Saline Solution	**12 oz.**
32. Tylenol Extra Strength tabs	**100's**
33. Afrin Nasal Spray	**15ml**
34. Huggies Daytime diapers	**48's**
35. Tylenol drops	½ oz.
36. Neosporin ointment	½ oz.
37. Sylvania Magicubes	
38. Robitussin DM	4 oz.
39. Tylenol Extra Strength tabs	**60's**
40. Efferdent tabs	**60's**
41. Polaroid SX 70 film	**Twin**
42. Tylenol Extra Strength caps	**24's**
43. Visine eye drops	**½ oz.**
44. Tylenol Extra Strength tabs	30's
45. Tampax super	40's
46. Benylin Cough Syrup	4 oz.
47. Nyquil	6 oz.
48. Mylanta liquid	12 oz.
49. Eveready Heavy Duty "D"	**2 pack**
50. Correctol tabs	**30's**
51. Duracell Alkaline 9-Volt	**2 pack**
52. Oral B 40 toothbrush	
53. Theragran-M tabs	**100's**
54. Listerine	32 oz.
55. Atra cartridges	10's
56. Bausch & Lomb Sensitive Saline Solution	8 oz.
57. Eveready Heavy Duty "C"	2 pack
58. Efferdent tabs	**96's**
59. Good News disposable razor	**3's**
60. Luv Medium Convenience diapers	**48's**
61. Luvs Large Convenience diapers	**32's**
62. Tylenol Extra Strength caps	**50's**
63. Bic Men's shaver	5's
64. Vicks Formula 44-D	3 oz.
65. B&L Saline Solution	8 oz.
66. Dristan tabs	24's
67. Summers Eve Vinegar & Water	**Twin pack**
68. Oral B 35 toothbrush	
69. Tampax Original regular	**40's**
70. Scope mouthwash	**40 oz.**
71. Sylvania Super 10 Flip Flash	
72. Robitussin	4 oz.
73. Tylenol tabs	24's
74. Atra cartridges	5's
75. Q Tips flexible swabs	170's
76. Secret Solid A/P regular	2 oz.
77. Maalox Plus liquid	**12 oz.**
78. Sylvania Flash Bar	
79. Anacin tabs	**100's**
80. Pepto Bismol	**4 oz.**
81. Ban Roll-on regular	**1.5 oz.**
82. Sure Solid A/P unscented	2 oz.
83. Mennen Speed Stick regular	2.5 oz.
84. Massengill Douche Vinegar & Water	Twin
85. Isomil RTF	32 oz.
86. Tampax super plus	40's
87. Alka Seltzer foil	**36's**
88. Ben Gay Greaseless	**¼ oz.**
89. Stayfree Maxi Deodorant Pads	**30's**
90. Pampers Elastic Toddler	**48's**
91. St. Ives Jojoba	**Combo**
92. Efferdent tabs	40's
93. Vaseline Jelly	3.75 oz.
94. Reach toothbrush med	
95. Baby Fresh Jumbo Wipes	80's
96. Bufferin tabs	100's
97. Triaminic syrup	**4 oz.**
98. Nyquil	**10 oz.**
99. Ecotrin tabs	**100's**
100. Eveready "AA" Heavy Duty	**4 pack**

Large size baby care products draw traffic

Predictions that the baby boomlet would increase sales throughout the 1980's are coming true, with various types of diapers, formulas and baby washcloths peppering the list of Top 100 products.

Not only have these products grown in sales, but new, larger sizes have particularly caught on, causing some drug chains to expand the sizes of their baby departments and weed out slower-moving products. For example, 32-oz. sizes of Enfamil, Isomil and Similac, Huggies toddler diapers 33's and Baby Fresh jumbo wipes 80's were all in the Top 50 in unit sales.

These sales parallel findings by A. C. Nielsen that show disposable diapers, a $2 billion market, grew 13% between 1982-83. Sales in drug stores make up 10.5% of this total. Other findings show that disposable washcloths, a $135 million market, grew by 22%, and that baby lotions and powders, a $110 million market, increased by 19%. Drug stores sell 29% of baby lotions and powders, and 16% of washcloths.

Popular large-quantity boxes of disposable diapers have caused a dilemma for drug stores. While these space-taking packages draw traffic, they also must be footballed to compete with supermarkets and mass merchandisers. Not only are the Huggies' 33's good sellers, but other industry leaders include the 48-diaper boxes of Luvs, Pampers and Huggies and the 60-count Pampers.

To overcome the squeeze on margins from diapers, and formulas, drug chains mix profitable items in the baby care department, such as private label cloths, shampoos, powders and oil, which can bring in margins as high as 50%. Even brand name cloths can yield margins of anywhere from 25% to 40%.

The highest volume baby need products (dollar sales)

Rank in Category	Item		Rank in Top 100
1	Huggies Toddler diapers	33's	4
2	Huggies Daytime diapers	48's	7
3	Luvs Large convenience diapers	32	9
4	Pampers Elastic Toddler	48's	14
5	Luvs Medium convenience diapers	48's	15
6	Pampers Elastic Extra Absorbent	60's	18
7	Similac with Iron RTF	32 oz.	25
8	Isomil RTF	32 oz.	31
9	Similac Regular RTF	32 oz.	38
10	Huggies Daytime diapers	18's	47
11	Baby Fresh Jumbo Wipes	80's	48

Source: *Drug Store News* 1984 Triple A Study

The most profitable baby need products (gross profit dollars)

Rank in Category	Item		Rank in Top 100
1	Huggies Toddler diaper's	33's	16
2	Huggies Daytime diapers	48's	34
3	Luvs Medium convenience diapers	48's	60
4	Luvs Large convenience diapers	32's	61
5	Isomil Ready-to-feed	32 oz.	85
6	Pampers Elastic diapers	48's	90
7	Baby Fresh Jumbo Wipes	80's	95

Source: *Drug Store News* 1984 Triple A Study

The fastest moving baby needs products (unit sales)

Rank in Category	Item		Rank in Top 100
1	Isomil RTF	32 oz.	9
2	Similac Regular RTF	32 oz.	15
3	Enfamil RTU	32 oz.	17
4	Huggies Toddler Diapers	33's	26
5	Similac Liq. w/Iron	13 oz.	31
6	Similac w/Iron RTF	32 oz.	46
7	Baby Fresh Jumbo Wipes	80's	47
8	Enfamil Liquid w/Iron	13 oz.	67
9	Luvs Medium convenience diapers	48's	73
10	Luvs Large convenience diapers	32	75

Source: *Drug Store News* Triple A Study

Triple A Product Study

The fastest moving shaving products (unit movement)

Rank in Category	Item		Rank in Top 100
1	Good News disposable Razor	3's	28
2	Bic Men's shaver	5's	36
3	Atra cartridge	5's	53
4	Barbasol regular	11 oz.	94

Source: *Drug Store News* Triple A Study

The most profitable shaving products (gross profit dollars)

Rank in Category	Item		Rank in Top 100
1	Atra cartridge	10's	55
2	Good News disposable razor	3's	59
3	Bic men's shaver	5's	63
4	Atra cartridge	5's	74

Source: *Drug Store News* Triple A Study

Razors, blades retain their sharp profit edge

Despite heavy competition from supermarkets, drug chains continue to record strong sales results from the razors and blades category.

According to *Drug Store News'* annual report on the chain drug industry, razor and blade sales last year climbed 11.6% to $114.8 million. Overall, razor and blades account for 4.8% of the toiletry department sales.

Not surprisingly, the moderately priced razors and blades placed higher in the Top 100 listing by unit sales than by dollar sales. However, razors and blades, with their strong profit margins, figured strongly in the list of Top 100 by gross profit margin.

The leading razor and blade products by unit movement were Good News disposable razors 3's, Bic men's shavers 5's and the Atra cartridges 5's.

In dollar sales, the leading sellers were Atra cartridge 10's, Gillette Trac II, Atra cartridges 15's and Atra cartridges 5's. According to the Triple A Product Study, the biggest moneymakers in the shaving products category were Atra cartridge 10's, Good News disposable razors, Bic men's shavers 5's and Atra cartridges 5's.

Disposable razors are the best performer in the category for most drug chains. Drug retailers have been able to offset the competition from supermarkets and discount stores with disposable razors by taking advantage of off-shelf display fixtures from manufacturers such as dump bins.

In addition, many drug store opertors merchandise disposable razors and replacement blades in key traffic locations, such as the front-end checkouts.

While drug chains appear to be holding their own in the battle to retain the razor and razor blade business, only one shaving cream product managed to make the Top 100. Barbasol regular 11 oz. made the Top 100 of leading sellers by units, based on its low average price point.

The fastest moving shaving products (dollar sales)

Rank in Category	Item		Rank in Top 100
1	Atra cartridge	10's	51
2	Gillette Trac II	9's	77
3	Atra cartridges	15's	80
4	Atra cartridge	5's	86

Source: *Drug Store News* Triple A Study

Batteries score high on every AAA product list

With the exception of film, no category had as many products featured in the Triple A Product Study as did batteries.

Batteries finished among the leading products in dollar sales, unit sales and overall profit dollars. In addition, the Triple A report reveals considerable selling strength in the three major sizes—D, C and AA—as well as in the alkaline and heavy-duty varieties.

Six batteries were listed among the Top 20 selling products by unit sales. Duracell and Eveready each had three products in the Top 20. Duracell's alkaline D battery 2-pack placed highest—seventh overall in the Top 100 in unit sales. Its AA alkaline 4-pack and alkaline C battery 2-pack also finished strongly.

Eveready also had its D, C and AA batteries in the Top 20 in unit sales. Eveready's heavy duty D, C and AA batteries dominated the remainder of the Top 100 unit movement chart.

The higher-priced alkaline batteries were the only battery products listed in the Top 100 by dollar sales. However, Eveready still had five and Duracell had four different batteries listed in the top 100 by dollar volume.

Batteries are among the most profitable products carried in drug stores. This point was driven home by the Triple A survey. Of the Top 25 products in terms of gross profit dollars, eight were battery products. Duracell's alkaline AA 4-pack batteries was the highest gross-profit-dollar producer.

There are a number of factors that can be traced to the remarkable showing by the batteries category in the Triple A study. Batteries are generally considered impulse items. Drug chains take advantage of this by strategically placing battery displays near checkout registers. Many drug retailers also use large attention-grabbing display fixtures in the front-end locations of their stores.

The highest volume battery products (dollar sales)

Rank in Category	Item	Rank in Top 100
1	Energizer Alkaline "AA" 4-pack	21
2	Duracell Alkaline "AA" 4-pack	22
3	Duracell Alkaline "D" 2-pack	32
4	Energizer Alkaline "D" 2-pack	39
5	Energizer Alkaline "C" 2-pack	40
6	Duracell Alkaline 9 Volt	57
7	Energizer Alkaline "AA" 2-pack	69
8	Energizer Alkaline 9 Volt	71

Source: *Drug Store News* Triple A Study

The most profitable battery products (gross profit dollars)

Rank in Category	Item	Rank in Top 100
1	Duracell Alkaline "AA" 4-pack	1
2	Energizer Alkaline "AA" 4-pack	8
3	Duracell Alkaline "D" 2-pack	9
4	Duracell Alkaline "C" 2-pack	11
5	Energizer Alkaline "C" 2-pack	17
6	Energizer Alkaline "C" 2-pack	19
7	Duracell Alkaline 9 Volt	22
8	Energizer Alkaline "AA" 2-pack	26
9	Eveready Heavy Duty "D" 2-pack	49
10	Duracell Alkaline 9 Volt	51
11	Eveready Heavy Duty "AA" 4-pack	53
12	Eveready Heavy Duty "C" 2-pack	57

Source: *Drug Store News* Triple A Study

The fastest moving battery products (unit sales)

Rank in Category	Item	Rank in Top 100
1	Duracell Alkaline "D" 2 -pack	7
2	Duracell Alkaline "C" 2-pack	11
3	Duracell Alkaline "AA" 4-pack	13
4	Energizer Alkaline "D" 2-pack	14
5	Energizer "AA" Alkaline 4-pack	16
6	Energizer Alkaline "C" 2-pack	18
7	Energizer Alkaline "AA" 2-pack	23
8	Eveready Heavy Duty "D" 2-pack	45
9	Eveready Heavy Duty "C" 2-pack	56
10	Eveready Heavy Duty "AA" 4-pack	61

Source: *Drug Store News* Triple A Study

Triple A Product Study

Liquids retain edge in antacids market

Antacids captured 6% of all the units sold in this year's annual *Drug Store News* Triple A Product Study.

Liquid antacids out sold tablet antacids by more than eight to two in terms of unit sales. Of the six antacid products that made it into our rankings, 83% were liquids while just 17% were tablets.

Antacids marketed as medications for chronic stomach disorders such as ulcers sold just as strongly as antacids marketed for such simpler applications as relief for acid indigestion.

Stuart's Mylanta 12 oz. was at the head of its category in unit sales as well as 20th in overall Top 100 unit rankings.

Rolaids, helped by a strong advertising thrust, placed second within the category rankings and 51st in the Top 100 unit movement. Rolaids sales may also have been helped by the fact that the product is portable and can easily be used as a supplement between regular doses of liquid antacids.

Maalox liquid 12 oz. was the third best-selling antacid in unit sales while it made 54th on the overall Top 100 rankings.

Maalox, however, was the only antacid to get two sku's on the Top 100 unit movement list. In addition to Maalox 12 oz., Maalox Plus, an antigas agent, placed sixth within the category.

The fastest moving antacid products (unit movement)

Rank in Category	Item	Rank in Top 100
1	Mylanta liquid 12 oz.	20
2	Rolaids single pack	51
3	Maalox liquid 12 oz.	54
4	Pepto Bismol 8 oz.	69
5	Alka Seltzer foil 36's	82
6	Maalox Plus liquid 12 oz.	98

Source: *Drug Store News* 1984 Triple A Study

The highest volume antacid products (dollar sales)

Rank in Category	Item	Rank in Top 100
1	Mylanta Liquid 12 oz.	35
2	Maalox Liquid 12 oz.	53
3	Maalox Plus Liquid 12 oz.	83
4	Pepto Bismol 8 oz.	98

Source: *Drug Store News* 1984 Triple A Study

The most profitable antacid products (gross profit dollars)

Rank in Category	Item	Rank in Top 100
1	Mylanta 12 oz.	48
2	Maalox Plus liquid 12 oz.	71
3	Pepto Bismol 4 oz.	80
4	Alka Seltzer foil 36's	87

Source: *Drug Store News* 1984 Triple A Study

Film, photo big winners on Triple A charts

The photo supply category had more products listed among the Top 10 selling items in the 1984 *Drug Store News* Triple A Products Study than any other drug store product category.

The photography hobby craze shows no signs of weakening, as film supplies, which generate approximately 40% of a chain drug store photo department, were the big movers both in units and dollar volume. The big winner in unit movement was Kodak. Three of its products placed first, second and third in the Top 100. Kodak's C110-24 moved to the No. 1 position this year in the unit-movement ranking. Its CP135-24 occupied the No. 2 position, followed by Kodak's Disc film single pack, which placed third.

In dollar sales, the Polaroid SX 70 single pack captured the No. 1 position. Kodak's C110-24 and CPL135-24 also placed in the top five. Two other Polaroid products—the ASA 600 single pack and the SX70 twin pack—made it into the Top 10.

The Triple A study reveals several key points about the photo department in chain drug stores. While competition in the retail marketplace has increased, drug retailers continue to do a brisk business with film supplies. High traffic locations for film products and frequent promotions have been factors in the success of the category.

It also is apparent that drug retailers have recognized the growing popularity of the 35mm camera market and have moved aggressively to snare a larger segment of this business.

However, at the same time, the study also reveals that the 110, Disc and instant photography camera market still commands a great deal of attention.

The highest volume film products (dollar sales)

Rank in Category	Item	Rank in Top 100
1	Polaroid SX 70 single	1
2	Kodak film C110-24	2
3	Kodak film CP135-24	5
4	Polaroid film 600 single	6
5	Polaroid SX 70 film twin	8
6	Kodak film instant PR10	10
7	Kodak Disc film single	11
8	Kodak Disc film twin	12
9	Kodak film CM135-24	16
10	Kodak film CP135-36	17
11	Polaroid film 600 twin	20
12	Kodak film CM135-36	26

Source: *Drug Store News* 1984 Triple A Study

The fastest moving film products (unit movement)

Rank in Category	Item	Rank in Top 100
1	Kodak film C110-24	1
2	Kodak film CP135-24	2
3	Kodak Disc film single	3
4	Kodak film C110-12	6
5	Kodak film CM135-24	10
6	Kodak Disc film twin	19
7	Kodak film CP135-36	21
8	Polaroid SX 70 single	38
9	Polaroid film 600 single	32
10	Kodak film C126-24	55
11	Kodak film CM135-36	91
12	Kodak film instant PR10	96
13	Sylvania Super "10" Flip Flash	72
14	Sylvania Magicubes	74

Source: *Drug Store News* 1984 Triple A Study

The most profitable film products (gross profit dollars)

Rank in Category	Item	Rank in Top 100
1	Kodak film C110-24	2
2	Kodak film instant PR10	3
3	Kodak Disc film twin	4
4	Kodak film CP135-24	5
5	Kodak Disc film single	6
6	Kodak film CM135-24	10
7	Kodak film CM135-36	12
8	Polaroid SX 70 single	13
9	Kodak film CP135-36	14
10	Polaroid film 600 single	18
11	Kodak film C110-12	30
12	Polaroid SX 70 film twin	41

Source: *Drug Store News* 1984 Triple A Study

The fastest moving flash products (unit sales)

Rank in Category	Item	Rank in Top 100
1	Sylvania Super "10" Flip Flash	72
2	Sylvania Magicubes	74

Source: *Drug Store News* 1984 Triple A Study

The highest volume flash products (dollar sales)

Rank in Category	Item	Rank in Top 100
1	Sylvania Super "10" Flip Flash	93
2	Sylvania Magicubes	99

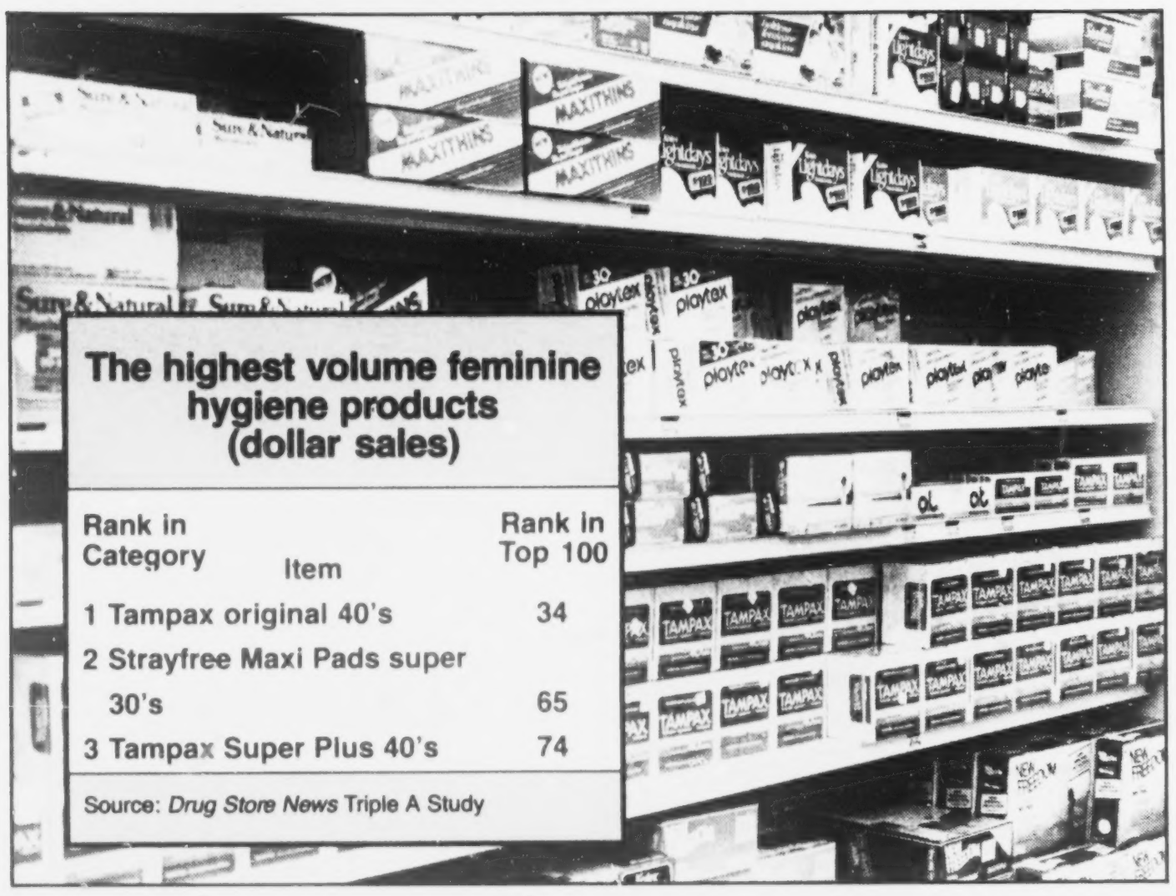
Source: *Drug Store News* 1984 Triple A Study

The most profitable flash products (gross profit dollars)

Rank in Category	Item	Rank in Top 100
1	Sylvania Magicubes	37
2	Sylvania Super "10" Flip Flash	71
3	Sylvania Flash Bar	78

Source: *Drug Store News* 1984 Triple A Study

Triple A Product Study



Tampons retain lead in feminine hygiene

Despite the introduction of a number of new shields and pads, tampons are still the most popular form of feminine hygiene protection, based on both unit and dollar sales.

Tampax continues to be the leader in the market with its Super and Super Plus 40's and Regular 40's, the only tampons to be named among the Top 100 products in units and dollar sales. The only external protection that appeared on the lists were Stayfree Maxi Pads Super 30's and Maxi Pads 12's.

However, the most profitable feminine hygiene protection appeared to be Sure & Natural Maxi's 30's, which was 23rd on the list of 100 products yielding the greatest profit margin. Also making it on that list were Tampax Super 40's, Summers Eve douche vinegar and water twinpack, Massengill douche vinegar & water twinpack, Tampax Super Plus 40's and Stayfree Maxi Deodorant pads 30's.

Both the Summers Eve and Massengill twinpacks also appeared at the lower end of the Top 100 products in units.

The entire feminine hygiene category continues to be a good one for drug chains, which experienced record sales of $324 million in 1982, a 12% increase over the previous year.

The highest volume feminine hygiene products (dollar sales)

Rank in Category	Item	Rank in Top 100
1	Tampax original 40's	34
2	Strayfree Maxi Pads super 30's	65
3	Tampax Super Plus 40's	74

Source: *Drug Store News* Triple A Study

The fastest moving feminine hygiene products in unit sales

Rank in Category	Item	Rank in Top 100
1	Tampax super 40s	24
2	Tampax regular 40's	59
3	Massengill Douche Vinegar & Water twinpack	89
4	Summers Eve Douche Vinegar & Water twinpack	92
5	Stayfree Maxi Pads 12's	99

Source: *Drug Store News* Triple A Study

The most profitable feminine hygiene products (gross profit dollars)

Rank in Category	Item	Rank in Top 100
1	Sure & Natural Maxi's 30's	23
2	Tampax Super 40's	45
3	Summers Eve Douche Vinegar & Water twinpack	67
4	Tampax original regular 40's	69
5	Massengill Douche Vinegar & Water twinpack	84
6	Tampax Super Plus 40's	86
7	Stayfree Maxi deodorant pads 30's	89

Source: *Drug Store News* Triple A Study

Visine top unit seller in eye care category

Eye care solutions accounted for approximately 4% of the Top 100 fast-moving products in unit sales.

Bausch and Lomb, with 50% of all unit sales in this category, was head and shoulders above the nearest competitor, Allergan, which took a 25% share.

The top unit seller in the category, however, was not an eye care solution product but Visine.

Visine's consumability, however, brought it down to third in gross profit dollar rankings. Apparently most retailers are keeping their margins rather tight on the fastest-selling items while still taking higher markups on the products that sell well to smaller segments of the population.

Soflens Tablets 24's was the No. 1 profit-maker in the eye lens care category, with B & L's Saline Solution 12, second.

The fastest moving eye/lens care products (unit movement)

Rank in Category	Item	Rank in Top 100
1	Visine eye drops-plastic 15. oz.	44
2	Bausch & Lomb Solution 8 oz.	58
3	Bausch & Lomb Solution 12 oz.	62
4	Soflens tabs 24's	100

Source: *Drug Store News* 1984 Triple A Study

The most profitable eye/lens care products (gross profit dollars)

Rank in Category	Item	Rank in Top 100
1	Soflens tabs 24's	7
2	Bausch & Lomb Saline Solution 12 oz.	31
3	Visine eye drops-plastic ½ oz.	43
4	Bausch & Lomb Sensitive Saline Solution 8 oz.	56
5	Bausch & Lomb Saline Solution 8 oz.	65

Source: *Drug Store News* 1984 Triple A Study

The highest volume eye/lens care products (dollar sales)

Rank in Category	Item	Rank in Top 100
1	Bausch & Lomb Saline Solution 12 oz.	55
2	Visine eye drops-plastic 1.5 oz.	61
3	Bausch & Lomb Saline Solution 8 oz.	89

Source: *Drug Store News* 1984 Triple A Study

Triple A Product Study

Cough/cold accounts for 9% of unit sales list

The fastest moving cough/ cold products (unit movement)

Rank in Category	Item	Rank in Top 100
1	Chap Stick	4
2	Robitussin DM 4 oz.	29
3	Nyquil 6 oz.	37
4	Actifed tabs 24's	43
5	Dristan tabs 24's	66
6	Halls Mentho-Lyptus	68
7	Alka Seltzer Plus 36's	79
8	Contac caps 10's	80
9	Vicks Formula 44-D 3 oz.	86

Source: *Drug Store News* 1984 Triple A Study

Cough/cold products accounted for approximately 9% of all unit sale products in *Drug Store News* 1984 Triple A Product Study.

The fastest-moving product was Chap Stick, which ranked first in its category and fourth in the total unit rankings. Its closest competitor, Robitussin DM 4 oz., a cough medication, ranked second in the category but 29th in overall rankings. Chap Stick's advertising, low price, ease of use as well as its relative high consumability accounted for its strong showing in the unit category.

In total profit dollars, Chap Stick also did well, showing up second in its category and 20th in the overall Top 100 rankings. Actifed tablets 24's was the most profitable item in the category in gross profit dollars, a reflection in part of its relatively high ticket, which also helped place it No. 1 in dollar sales.

Actifed was also the only OTC conversion product to make the list in unit movement. In the Top 100 unit sales, it ranked 43rd.

Only two products that made it into the Top 100 dollar sales rankings failed to also make it into the Top 100 gross profit dollar rankings: Contac Caps 10's and Drixoral tabs 10's. It is possible that intensive promotions within these categories shortened overall margins just enough to keep them out of the Top 100 gp dollars. Contac 10's was eighth in its category on unit movement and 80th overall.

The highest volume cough/ cold products (dollar sales)

Rank in Category	Item	Rank in Top 100
1	Actifed tabs 24's	33
2	Nyquil 6 oz.	36
3	Robitussin DM 4 oz.	46
4	Nyquil 10 oz.	56
5	Dristan tabs 24's	68
6	Chap Stick	73
7	Afrin nasal spray 15ml	75
8	Sudafed tabs 30mg 24's	79
9	Actifed tabs 12's	82
10	Contac caps 10's	84
11	Dristan tabs 24's	96
12	Drixoral tabs 10's	99

Source: *Drug Store News* 1984 Triple A Study

The most profitable cough cold products (gross profit dollars)

Rank in Category	Item	Rank in Top 100
1	Actifed tabs 24's	15
2	Chap Stick	20
3	Actifed tabs 12's	27
4	Sudafed tabs 30mg 24's	28
5	Afrin nasal spray 15ml	33
6	Robitussin DM 4 oz.	38
7	Benylin cough syrup 4 oz.	46
8	Nyquil 6 oz.	47
9	Vicks Formula 44-D 3 oz.	64
10	Dristan tabs 24's	66
11	Robitussin 4 oz.	72
12	Triaminic syrup 4 oz.	97
13	Nyquil 10 oz.	98

Source: *Drug Store News* 1984 Triple A Study

Crest still best seller; mouthwash row mounts

In the competition for best-selling toothpaste, in units and dollar sales, Crest regular in the 6.4-oz. size remains king. However, Aquafresh is now the new No. 2 squeezing Colgate—which formerly held that title—down to No. 3.

There's also been a change in position of mouthwashs, with the 32-oz. bottle of Listerine defeating the 24-oz. bottle of Scope for second place in both unit and dollar sales. Listerine ranks 13th among the Top 100 products in dollar sales, while Scope 40 oz. is 59th. And Scope doesn't even appear on the list of Top 100 ranked by units, while Listerine is 35th. Last year Scope 24 oz. was 24th in unit sales and 17th in dollar sales.

The most profitable oral/dental product is Efferdent Tablets 60's, which ranks 40th on the Top 100 products in profit dollars. It is followed by Oral B 40 toothbrushes, which ranked 52nd and Listerine 32 oz., 54th.

Oral B continues to be the best-selling brand of toothbrushes, in both dollar and unit sales. Efferdent tablets continue to be the best-selling denture cleansers.

According to a *Drug Store News* survey, dental care sales in drug chains went up 13.5% in 1983 primarily because of inflationary price increases. The oral/dental category share of the OTC department sales increased by 9.6%. Many chain buyers felt that the slight share increase was due to consumers just switching from their old brand of toothpaste, toothbrush or dentifrice to a newer, more expensive one.

The fastest moving dental/oral products (unit sales)

Rank in Category	Item	Rank in Top 100
1	Crest Regular 6.4 oz.	8
2	Aquafresh toothpaste 6.4 oz.	12
3	Listerine 32 oz.	35
4	Colgate toothpaste 9 oz.	39
5	Crest mint 6.4 oz.	42
6	Oral B 40 toothbrush	49
7	Listerine mouthwash 12 oz.	50
8	Efferdent tab 60's	65
9	Oral B 60 toothbrush	71
10	Reach toothbrush medium	77
11	Aquafresh toothpaste 4.6 oz.	78
12	Colgate Winterfresh gel	85
13	Crest Mint 8.2 oz.	90
14	Crest regular 8.2 oz.	95

Source: *Drug Store News* 1984 Triple A Study

The highest volume dental/ oral care products (dollar sales)

Rank in Category	Item	Rank in Top 100
1	Listerine quart 32 oz.	13
2	Crest regular 6.4 oz.	41
3	Aquafresh toothpaste 6.4 oz.	42
4	Scope mouthwash 40 oz.	59
5	Efferdent tab 96's	78
6	Colgate toothpaste regular 9 oz.	91
7	Efferdent tab 60's	96

Source: *Drug Store News* 1984 Triple A Study

The most profitable dental/ oral products (gross profit dollars)

Rank in Category	Item	Rank in Top 100
1	Efferdent tab 60's	40
2	Oral B 40 toothbrush	52
3	Listerine quart 32 oz.	54
4	Efferdent tab 96's	58
5	Oral B 35 toothbrush	68
6	Scope mouthwash 40 oz.	70
7	Efferdent tab 40's	92
8	Reach toothbrush medium	94

Source: *Drug Store News* 1984 Triple A Study

Slim Fast tops diet aids

Thompson Medical Co. Inc. has once again proven its dominance of the diet aid category with its newest product, Slim Fast, already No. 3 of the Top 100 products in total dollar sales.

In fact, Thompson's products are the only reducing aids to appear on the dollar sales list. Dexatrim extra strength capsule 20's and 40's are Nos. 24 and 52, respectively.

And while none of Thompson's products made it on the list of the Top 100 ranked by unit sales, the only diet aid that did was Sweet 'n Low 100's, a sugar substitute, which was No. 27. No reducing aids made it on the most profitable list.

Like diet aids, the vitamin category was dominated by one manufacturer—Lederle, maker of Centrum. Centrum was the only vitamin on the Top 100 ranked by dollar sales, where its 100 + 30 bottle was ranked No. 28.

The highest volume diet/vitamin products (dollar sales)

Rank in Category	Item	Rank in Top 100
1	Slim Fast Powder 16 oz.	3
2	Dexatrim extra strength caps 20's	24
3	Centrum vitamins 100 + 30	28
4	Dexatrim extra strength caps 40's	52

Source: *Drug Store News* 1984 Triple A Study

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PHARMACY
Chicago Rxers pull Advil, Nuprin off OTC shelves—p. 27

MERCHANDISER
Toothpaste pumps generate huge sales gains—p. 15

002344 7C DR
MS JEANNE LONG
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BETHESDA MD 20814

DRUG STORE NEWS

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Field leaving American for McKesson post

By Lou Karney

SAN FRANCISCO — Thomas W. Field Jr., president of American Stores, has resigned to become president and coo of McKesson Corp. Field replaces Thomas Drohan, president and ceo, who died in May 1984.

The announcement stunned drug and supermarket execs who had expected Field to retain the presidency of American Stores after the American-Jewel merger has been finalized in September.

Why is Field leaving American, where he had been touted as L. S. (Sam) Skaggs' heir apparent in the soon-to-be-$14 billion national food/drug chain?

Field would not return phone calls from *Drug Store News*. However, according to sources close to American, this picture emerges:

It was Field's decision. He had a good working relationship with Sam Skaggs who, as a demanding taskmaster, tightly controls the operation.

However, Skaggs, who is now 60, had been expected to retire at 65, and Field was looking forward to running his own show. But since the merger negotiations, Skaggs has given every indication that he will continue beyond 65.

With American's operation soon to extend to 40 states, travel demands for all executives—including Field—will accelerate. If Field were running American, he could temper the traveling—but not with Sam Skaggs calling the signals.

So when McKesson made Field an attractive offer, the timing was right—and Field accepted.

A supermarket chain exec who has known Tom Field for 25 years says: "I am not surprised at Tom's move. After the merger, his personal time would have been squeezed even more. Remember, Tom is a man who cherishes time with his family. His decision to leave American validates his philosophy: 'It is important to know what you *don't* want to do as much as

(Continued on page 57

'Field is retail-oriented and that dovetails with McKesson's Drug & Health Care Group, the corporation's biggest and most profitable group.'

American realigns top staff

SALT LAKE CITY — Faced with the sudden departure of its president, American Stores Company has created a new office of the president and named presidents of two key subsidiaries.

American chairman and ceo, L. S. Skaggs will assume the additional duties of president, following the resignation of Thomas W. Field Jr.

A new office of the president created by Skaggs will be staffed by Victor N. Lund, senior vp and controller, and Allan D. Stewart, senior vp, human resources at Skaggs/Alpha Beta, and Larry A. Hodges, senior vp, merchandise. Lund will take on the additional role as senior vp for financial accounting. Both Stewart and Hodges will serve as vice presidents.

Skaggs also has promoted Joseph R. Bowman, executive vp of operations at Skaggs Drug Stores, and Richard P. Gladden, executive vp of retail operations at Alpha Beta Company, president of the drug store and supermarket subsidiaries, respectively.

Auto parts department opens at Genovese

By Jim Ricchiuti

NEW YORK — Genovese Drug Stores has opened its first full-line automotive department in the basement of a new 12,000-sq.-ft. store in Jackson Heights in the New York City borough of Queens.

The 3,000-sq.-ft. automotive department, which the Melville, N.Y.-based drug retailer has dubbed the Genovese Auto Warehouse, is considered by some analysts as a test project in what may become another area of specialty retailing for Genovese. Earlier this year, the company opened its first home health-care store not far from the location of the first Genovese drug store.

One source said Genovese is projecting the department to turn at an annual rate of eight to 10 times and generate $500,000 to $700,000 in sales. The source said that the initial inventory investment for the department was in the $70,000 range.

Observers say that Genovese may be attempting to minimize the risk in its venture into auto aftermarket retailing by locating the department in a conventional drug store in an area where the Genovese name is widely known.

The fact that Genovese has given the department a separate name and is aggressively promoting the Genovese Auto

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Rite Aid's new depot-style home health care unit in Dayton.

Rite Aid opens home health depot

By Joe Caputo

DAYTON, Ohio — Rite Aid Corporation has opened its first depot-style home health care outlet, designed, industry observers say, to support a serious thrust into additional freestanding home care and rehabilitation stores.

Rite Aid's newest unit, opened three months ago in Dayton, differs from the chain's two earlier freestanding home health care stores in size, appearance and inventory.

Two earlier Rite Aid home health stores in Springfield and Cincinnati are 2,500 sq. ft. in size and stock a correspondingly smaller level of inventory than the depot unit. The new Dayton store averages 15,000 sq. ft.: 10,000 is allocated for backroom; 1,000 is for office support space, and 4,000 is devoted to the selling area.

The Dayton outlet on South Patterson Avenue doesn't look like a retail store. There are no gondola runs, merchandise is displayed on pedestals rising from the floor and on shelving against perimeter walls. "We tried to provide a professional appearance, like a physician's office," said a Rite Aid executive.

The Shiremanstown, Pa.-based chain began testing the freestanding home health care format after it acquired Lomark about 18 months ago—the Springfield store was part of the acquisition. Favorable test figures plus recognition of cost-containment efforts by Government (via Diagnosis Related

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Gray Drug Fair names Culver new president

CLEVELAND — Mac Allen Culver, a former top executive with Pay Less Drug Stores Northwest, has been named president and general manager of Gray Drug Fair, ending a nearly eight-month effort by Sherwin Williams to find a successor to head its 410-unit drug chain.

The 42-year-old Culver, who was most recently a senior vp for merchandise and distribution at Pay Less in Wilsonville, Ore., will report to Carl A. Bellini, group vp at Sherwin Williams. Bellini had served as interim president for the drug chain since October after Sherwin Williams replaced Alvin Towle, who has since become

Mac Allen Culver

chairman and ceo of Dart Drug.

Culver, the third executive to head the Gray Drug Fair operation since Sherwin Williams purchased it in 1981, inherits a drug chain that is showing signs of a dramatic turnabout after several years of lackluster performance.

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Late News

SECOND QUARTER SALES at Hook Drug advanced 10% to $86.6 million while earnings increased 3.5% to $1.9 million. For the first six months of fiscal 1984, Hook's sales rose 9.7% to $168.3 million. Earnings for the first half dropped 14.6% from $3.8 million to $3.3 million.

PEOPLES DRUG HAS NAMED Barry Wilen corporate vp for retail development. Wilen will be charged with developing new segments of specialty retailing for the chain including the possibility of a deep-discount operation. Prior to his new appointment, Wilen had been president and coo of Hillcrest Sales, a wholly owned subsidiary of Peoples.

J&J puts home health centers on auction block

NEW BRUNSWICK, N.J. — Hospital corporations, rather than retailers or medical centers, have emerged as the likely bidders for Johnson & Johnson's home health-care centers.

J&J has put its three home health-care centers—in Houston, Dallas and Long Beach, Calif.—and its home-health headquarters in Tampa, Fla., on the auction block after only one year of operation. According to a J&J spokesman, the decision to sell was reached because the units never produced the results the company had expected.

The proposed sale of the division, Home Health Care Inc., ends two years of exploration by J&J into the home health-care market. It draws the curtain on the firm's retail distribution of I.V fluids, enternal/parenteral feedings, injectible pain medications and antibiotics. The units also operate a pharmacy with a variety of oral medications and other products available in hospital pharmacies.

Although no drug store retailers appear interested in purchasing the units, many welcomed the news that J&J is exiting the business. One chain drug retailer with home health-care outlets described J&J's retreat as "wonderful."

Those who are relieved characterize the move as being in the best interest of consumers and pharmacy.

"I was disturbed when J&J first announced entry into this market," said a spokesman for a Midwest drug chain with a number of home-care outlets of its own.

Other retailers were more specific: "J&J can't compete with its own customers and not expect repercussions in other product areas," said a spokesman for another chain.

J&J's distribution of pharmaceuticals at the retail level created opposition from a number of groups, notably in California and Texas.

Bob Johnson, executive director of the California Pharmacists Association, said, "We commend J&J for its recognition that manufacturers should stick to what they know best—production of products."

Prior to J&J's announcement about leaving the market, pharmacists in the Golden State sought a licensing restriction bill that would have prohibited manufacturers from holding pharmacy licenses.

Texas and California pharmacists objected to the possible antitrust nature of home health-care products being supplied direct to consumers by manufacturers.

Johnson also called on Abbott, Travenol and McGaw to cease their pharmacy operations in California.

J&J ventured into the home health-care business with hopes of tapping into a burgeoning field expected to hit $19 billion in sales volume by 1990.

—News in brief—

Record for Genovese

MELVILLE, N.Y. — Genovese Drug Stores reported record sales and earnings for the first quarter of its current fiscal year.

Sales for the 16-week period, ended May 25, increased 18.2% from $52.3 million to $61.8 million. Earnings for the 75-store operation rose 33.3% to $880,000 from $660,000.

The chain opened three stores during the start of its fiscal year, with plans for at least four additional units before year's end.

Pay Less drops nutrition test

WILSONVILLE, Ore. — Pay Less NW is pulling its nutritional section after more than a year of testing in 10 stores in Washington and Oregon.

The section, 16 ft. of one-gondola side, contained H&BA, vitamins and snacks. There were no refrigerated or frozen foods.

In dismantling the section, Pay Less eliminated snacks and transferred natural H&BA, vitamins and cosmetics to their regular homes.

Medi-Cal fees rise 3%

SACRAMENTO—The State of California has increased Medi-Cal dispensing fees 3%—from $3.60 to $3.71.

The California Pharmacists Association had recommended at least a 10% hike. It made that increase its No. 1 priority for this legislative session.

California pharmacists had received no increase in fees since September 1980. Hopes had been high for a more substantial increase because the state had projected a surplus of $2 billion for fiscal 1984 and because studies showed that the usual and customary fee for filing a prescription by the private sector was more than $6.

Perry buys auto-parts stores

PONTIAC, Mich. — Perry Drug Stores Inc. has signed a letter of agreement to purchase Jack Lampert-Singer Super Auto Parts stores, a chain of 24 stores based in St. Louis, Mo. Last year the Jack Lampert stores generated more than $9 million in sales.

Segnari named to Begley board

RICHMOND, Ky. — Orland F. Segnari, senior vp in the drug store division of Begley Company, was elected to the board of directors following the retail chain's annual meeting

Medicaid spending down

NEW YORK — The rate of growth of Medicaid expenditure for nursing home care dropped for the first time in 10 years, according to Health Care Financing Administration officials.

In fiscal 1983, total Federal-state Medicaid payments reached $34.9 billion compared with $31.8 billion in 1982.

The last two years represent sharp reductions in the rate of increase in Medicaid expenditures. Compared with 17% gain in fiscal 1981, fiscal 1982 advanced 6.7% over 1981, and fiscal 1983 grew 9.9% over 1982.

State Medicaid directors heard the good news at a recent meeting in Chicago.

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Vol. 6, No. 17 Aug. 6, 1984

Pay Less NW unveils first deep-discount prototype

By Lou Karney

PORTLAND, Ore. — After studying deep-discount drug stores for the past year, Pay Less NW has unveiled its Value Giant prototype in a mall southeast of here.

The 30,000-sq.-ft. store, a makeover of a Pay Less superdrug store, had an opening inventory of $1.5 million to $1.8 million and is expected to produce a yearly sales volume as high as $20 million.

Value Giant will open two additional Pay Less revamps in September-October. Both will be in Hayward, Calif. (San Francisco Bay Area), 5½ miles apart. One has 25,000 sq. ft. of selling; the other, 20,000 sq. ft.

The Value Giant prototype in Portland combines borrowings from other retailers (drug discounters, warehouse stores and conventional drug stores) with innovative touches of its own. The presentation has panache and sales appeal and is a breakthrough in West Coast deep drug discounting in the following six areas:

1. Supermarket-type scanners. Approximately 65% of the inventory is UPC-coded; 20% is on six-digit lookup, and the remaining 15% consists of products on one-time deals and closeouts which are impractical to code.

2. A radical change in checkstand configuration: 12 registers in six double checkstands. The advantage: increased checker productivity. During nonpeak periods, the store has the option of using one checker at a double checkstand. The checker can ring up a new transaction on the second checkstand while the first customer is bagging purchases on the first. (Bagging by customers is a common pratice in warehouse food stores.)

3. Domestics/linens as a major department. This category is expected to ring up 10% of store sales. Inventory at retail is $150,000.

Eddie Tolleson, store manager—and a 29-year Pay Less veteran—says: "We are underpricing department stores up to 50% on domestics/linens."

Even with those discounts, domestics are high-margin, high-ticket (up to $70).

Still, the viability of this department in a deep-discount drug store has raised eyebrows in the trade. Counters Eddie Tolleson: "It's surprising how many people need to replace domestics and linens. People spend a lot of time in the bathroom, bedroom and kitchen."

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Merchandise is stacked almost to the ceiling in the new Pay Less NW deep-discount store prototype.

Pay Less NW sets October for small-store div. opening

WILSONVILLE, Ore. — Pay Less NW will open the first unit of its new small-store division in the Pacific Northwest in October 1984. The specific location won't be revealed until the transaction—now in the final signing stage—has been completed.

The site chosen is 17,000 sq. ft. overall, in contrast to the 30,000 sq. ft. which is typical for Pay Less. Approximately 65% or 11,000 sq. ft. will be for sell space. No name has yet been selected.

In a radical departure for Pay Less, the pharmacist will be the store manager. A store-operations training program will be instituted for the pharmacist-

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Drug Castle Franchises to open four new deep-discount stores

SPRINGFIELD, Ohio — Drug Castle Franchises Inc., a deep-discount franchisor headquartered here, plans to open its first four franchised stores in Houston, Orlando, Fla., and Fort Wayne, Ind.

The stores will be fashioned after the two-year-old Drug Castle deep-discounter in Springfield, which is owned by Brown Drug Co. Drug Castle Franchises is a separate operation, but its president, Richard Brown, is also president of Brown Drug Co., a 15-year-old chain of six traditional drug stores in south central Ohio.

If the Drug Castle franchise operation is successful, it will become the second major franchisor of deep-discounters. Drug Emporium, headquartered in Columbus, Ohio, has 22 franchised stores out of a total of 32 units.

Like Drug Emporium, initial capitalization for Drug Castle stores is $600,000. The one-time initiation fee for Drug Castle franchisees is $20,000, compared to the $25,000 required to become a Drug Emporium, according to industry sources.

Drug Castle franchisees must also pay royalty fees, but the corporation would not say how much.

According to Dale Obracay, vp of Drug Castle Franchises, options to franchise have already been signed for two stores in Houston and one in Orlando, with one in Fort Wayne soon to be signed. He said the franchisor would like to open at least one other location this year and possibly 10 more in 1985. Markets that are being considered are Philadelphia, New Orleans and areas in New Jersey, North Carolina, Ohio and Michigan.

Obracay said there are also plans to convert the existing Drug Castle to a franchisee.

Drug Castle prefers to open stores in locations where there are no other deep-discount stores, Obracay said.

While there may not be any other deep-discount stores in the first locations, the franchisees will be facing stiff competition from mass merchandisers, supermarkets and drug store chains. In Houston, for example, not only are there a large number of Walgreens and Eckerd drug stores, but K mart and Target discount stores.

In Orlando, there are also a number of Eckerd and Walgreens stores as well as K mart, Zayre and Albertson's. Fort Wayne has Hook's, Revco, Walgreens, Kroger, K mart

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Revco earnings up 37%; sales soar over $2 billion

TWINSBURG, Ohio — Revco Drug Stores easily vaulted over the $2 billion sales mark as the nation's largest drug chain registered a 21% sales gain, while fiscal 1984 earnings soared 37% to $93 million.

For the year ended June 2, sales totaled $2.2 billion, compared with $1.8 billion the previous year. On a per-share basis, net income rose 33% to $2.54 from $1.91 per share in fiscal 1983.

Fiscal results for 1984 and 1983 were restated to reflect the acquisition of Odd Lot Trading Inc., which was purchased in May for 4.4 million shares of Revco common stock, valued at $113 million at the time of the transaction. Revco said the Odd Lot acquisition did not dilute the company's earnings-per-share for the year.

Net earnings for the 17-week fourth quarter increased 17% to $30 million, or 83¢ per share, from $25.9 million during the 16-week fourth quarter in 1983. Fourth-quarter sales advanced 22% to $722.8 million from $592.3 million the previous year.

Revco chairman Sidney Dworkin attributed the company's strong showing to double-digit increases in same-store sales, effective cost controls, a lower rate of inflation and a continued strong performance by the former Skillern stores. He also cited the strong gains registered by the 92 Odd Lot stores.

The company said that the LIFO charge for the year was 13¢ per share, compared with 18¢ in 1983. The reduction in the LIFO charge was due to a sharp decline in the inflation rate for up-front merchandise and moderately lower rate for prescription drugs.

But, while reaching the $2 billion sales mark signified a triumphant milestone for Revco, fiscal 1984 also produced some sobering experiences for the 28-year-old drug chain.

The Twinsburg, Ohio-based chain faces a number of multi-million-dollar lawsuits after a product manufactured by its Carter-Glogau subsidiary was linked to the deaths of 38 premature infants. Publicity sur-

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Revco circular program a boost for store traffic

TWINSBURG, Ohio — Revco's new circular program — the first major effort that the chain has tried in 20 years—has increased sales by as much as a third in some stores.

The circulars are being printed six times a year with 22 million copies per run. The proportion of circulars sent by mail and those inserted into newspapers varies by location, according to Budd Dworkin, senior vp-marketing.

Dworkin said this is the first time in about two decades the chain has undertaken a circular program. "It's a good vehicle for building traffic," said Dworkin.

The circulars were first tested in early 1983 in the Dallas market, where Revco has some 100 stores. The test showed that sales in those stores increased an average of 33⅓% during the first few weeks after the circulars appeared.

Revco launched its first chainwide circular in October 1983. Two more chainwide runs were tried around Christmas and a fourth in February 1984. Revco's fiscal year ended in May.

Dworkin said average sales increases plateaued at an average of 30%. He said that store managers reported seeing many new faces after circulars appeared. For example, Revco stores in the suburban Chicago area received calls from shoppers who said they didn't even know the chain was there until they saw the circulars.

Revco
DISCOUNT DRUG
Prices effective starting May 20, 1984
Hot
Summer Savings
Insulated Picnic Bag
Assorted colors and designs
Roomy 14" x 8" x 8"
Keeps food hot or cold
Revco's low, everyday discount price $5.99
Mesh Stack Chair
30"
• sturdy construction
• white coated wire
• great for kitchen, patios, porches
Revco's low, everyday discount price $5.99
Insulated Six Pack Chest With Handle
Folds flat for easy storage
Assorted colors and designs
Revco's low, everyday discount price $2.99
Pump Pot
1.5 Liter Liquid Dispenser
For parties, picnics and lunches
Vacuum bottle Assorted designs
Revco's low, everyday discount price $4.99
Charcoal Briquettes
10 lbs.
Revco's low, everyday discount price $1.59
LIGHTER FLUID
32 fl. oz.
Revco's low, everyday discount price 99¢
BBQ Grill
18"
Folds for easy storage
Revco's low, everyday discount price $5.99
4 piece Steak Knife Set or 2 piece Knife and Fork Set
• durable stainless steel
• ultradiget, functional design
Revco's low, everyday discount price YOUR CHOICE 99¢ ea.

Revco's new circular program has increased sales by as much as one-third in some of the chain's stores.

Dworkin said Revco had previously abandoned the use of promotional circulars because items are always sold at a discount. Even now, the advertised products are not being sold at a lower than everyday price. However, the chain does look for items it can buy on deal specifically for the ads.

The circulars, which average 12 pages, also contain coupons ranging anywhere from 30¢ to $1 off. For example, in the summer circular, there were coupons for 30¢ off Bayer 100's; 50¢ off any Revlon fragrance, Revco private-label baby oil and suntan lotion, and $1 off Acutrim 20s and Theragran-M 100, plus 30 free.

Dworkin said the circulars also offer an opportunity to promote imports, some of which the chain has never advertised before. Such was the case with the Dacron Hollofil II pillows that were shown in the summer circular at $4.99 for the standard size.

Rite Aid president eyes $1.45 billion in sales

HARRISBURG, Pa. — Reciting a litany of strong sales and earnings results from last year's corporate performance, chairman and president Alex Grass told shareholders at the Rite Aid annual meeting here that the diversified retailer's total sales this year would top $1.45 billion.

Grass said that continued strength in prescription and private-label sales contributed to the strong performance of the drug store division. Pharmacy sales for the first quarter of fiscal 1985 represented 32.5% of total chain sales, he said, compared with 31% last year. Private-label sales constitute more than 13% of drug store sales. Same-store sales for the quarter were up 8.6%.

Grass promised the chain would easily meet its target of adding at least 110 new stores by year end. Rite Aid currently operates 1,197 drug stores in 19 states.

While Grass indicated that the "continued strong performance" of the drug store division "accounts for the bulk" of Rite Aid's business, he said the chain plans to expand its efforts into other areas of specialty retailing.

Grass said that there will be more than 50 ADAP discount auto-parts stores operating by year end and that sales for that division would reach $50 million. In addition to opening stores in existing markets in Massachusetts, Rhode Island, New Hampshire and Connecticut, Rite Aid has targeted New York as among the new markets that it will enter with ADAP stores.

Improved gross margins and reduced inventory shrinkage and markdowns during the Christmas season, together with an improvement in off-season losses, helped Circus World contribute profits of $2 million last year to Rite Aid's balance sheet. Grass said Rite Aid will have nearly 200 toy stores by the close of 1984.

Similar plans for expansion are under way for Rite Aid's small chain of contemporary variety stores. The company is currently operating seven Heaven stores with four more sites under construction. Rite Aid expects to open at least 10 Heaven locations this year. If the performance of the 3,000-sq.-ft. variety stores meet corporate expectations, Rite Aid said it "will then be prepared to accelerate the growth" of the chain.

Rite Aid is planning to open approximately 180 stores in its four retail divisions. The company said new store openings will be financed with a $55 million capital budget.

Rite Aid's income from its 28.2% interest in Superdrug Stores P.L.C. in Britain fell 19.5% last year to $1.5 million. However, Grass called the results outstanding in light of the continued weakness of the pound against the American dollar and the fact that Rite Aid reduced its holdings last year in the British affiliate by almost 20%.

Grass is also optimistic about Rite Aid's domestic nonretail operations.

Rite Aid in 1984 posted earnings of $62.2 million on sales of $1.2 billion.

Cline seen as choice to take helm at Jewel

CHICAGO — Drug store retailers and analysts say they had expected the recent resignation of two top Jewel officers, W. R. Christopherson, 58, and Lawrence Howe, 62.

They also said they expected that Richard G. Cline, 49, would take the helm as Jewel's new chairman, chief executive and president. Cline, an 11-year veteran of the company, was formerly president and coo; his successor as coo has not been named.

"This is all part of [American Stores chairman and ceo] Sam Skaggs' goal to consolidate the company," explained Richard Elam, an analyst with Blunt, Ellis and Loewi in Chicago. "It is the way he operates—he wants to know just what's going on."

Others added that it was only natural that Christopherson and Howe would make an exit because "both were opposed to the sale." The management team were visibly opposed to the recent $1.16 billion sale of Jewel to American Stores.

What did catch analysts off guard was Thomas W. Field Jr.'s announcement that he was leaving American Stores to join McKesson as president and coo.

At American and Jewel the following other appointments have been announced: Thomas H. Sunday, 39, appointed vice chairman of Jewel; Scott Bergeson, 46, vp of administration at American, has been named Jewel's executive vp. Also named to the new board are American's Michael Miller and Fred P. McBrier.

Those contacted by *Drug Store News* expect no immediate changes with either management. "If there is any more consolidation it will come further down the line," one analyst concluded.

Warning from Nielsen vp

Drug stores lose ground to other outlets on H&BA's

MINNEAPOLIS — Drug stores continue to lose ground when it comes to competing with food and mass-merchandise stores for health & beauty aids sales.

That's the news A. C. Nielsen's vp and manager of Drug/H&BA Trade Services, William J. McCormac, told 400 retailers and suppliers gathered for the National Association of Chain Drug Store's annual General Merchandise Conference here last month.

He warned that food and mass outlets are "seriously eroding" the drug industry's share of sales within the category. McCormac said the continued trend toward one-stop shopping, coupled with the strong emphasis placed by food and mass stores on merchandising H&BA's, are two reasons drug stores' market share is slipping.

Citing statistics that showed the drug store industry lagging behind food and mass-merchandise stores in unit and dollars sales for growth in 25 selected H&BA categories, McCormac said the trend holds "disturbing implications" for the future.

"The growth rates for 25 traditional drug store product categories are less in the drug store then they are in either food or mass-merchandise stores," he said.

Even the industries' best performing H&BA subcategory, home waves, which experienced a nearly 400-fold increase over 1977's base level, still trailed behind the category's performance in food stores, which experienced a more than 500-fold increase. Mass-merchandise sales generated a 400-plus-fold increase.

"More aggressive sales and promotions have taken business away from the drug stores," McCormac said. "The consumer is being offered a wider variety of product and a wider variety of outlets in which to purchase them.

"The fact that food stores and mass-merchandisers are handling the leading brands and sku's has also negatively impacted business."

McCormac also said that the drug trade's continuing promotional and advertising emphasis on foods, beverages and other "nontraditional" drug store categories has made the industry more vulnerable to onslaughts from food and mass-merchandise stores seeking to increase their share of profitable H&BA sales.

Noting that drug stores still have a competitive advantage over food and mass-merchandise stores because they generally carry much wider and broader H&BA selections, McCormac suggested that the drug industry stress its wide variety of selection in ads.

In a related presentation,

Continued on page 58

FINANCIAL

Walgreens sales up 16.7%; Mexican affiliate still ailing

DEERFIELD, Ill. — Strong sales, coupled with a greater control of expenses, contributed to Walgreen Co.'s impressive third-quarter results, according to chairman Charles R. Walgreen III.

Sales for the quarter, ended May 31, increased 17.5% to $685 million, while net profits for the period rose 21.3% to $19.2 million. For the first nine months of the current fiscal year, sales jumped 16.7% from $1.8 billion to $2.1 billion. Net earnings for the nine months were up 25.6% to $59.4 million vs. $47.3 million last year.

Net earnings from United States operations rose 23.9%, according to Walgreen, and "more than offset the decrease in equity income from Sanborns, our Mexican affiliate." Sanborns continues to be affected by Mexico's weakened economy, high inflation and peso devaluations. Estimated LIFO inventory calculations contributed to a $331,000 loss from Sanborns for the third quarter.

Company president Fred Canning reported that the drug store division sales, led by "exceptional pharmacy performance," rose 18.2% for the quarter and 17.1% for the nine months. Sales in comparable units (those open for at least one year) were up 11.6% for the first nine months.

New stores

Fifty-five new drug stores have opened since the start of the fiscal year. As of June 30, the total number of drug stores and restaurants reached 1,067 compared with 1,007 a year ago.

The company concluded that it will reach record results this fiscal year, despite facing a $4.8 million LIFO credit which occurred in last year's fourth quarter.

2nd-quarter net income increases 75% at Gray

CLEVELAND — Net operating income for the second quarter ended June 30 at Gray Drug Fair, a subsidiary of Sherwin Williams, soared 75% to $4.2 million from $2.4 million in the second quarter of 1983.

Drug store sales rose 12% to $153 million from $136.9 million the previous year.

For the first two quarters, net operating income at Gray has nearly doubled from the previous year to $8 million from $4.1 million. Sales through the first six months of the fiscal year are up 11% to $303 million from $272.5 million in 1983.

Sherwin Williams said that aggressive advertising, "better-balanced inventories" and "tight operating controls" were factors in the drug chain's strong performance.

Commenting on the second-quarter performance of its drug and paint stores, John G. Breen, chairman, president and ceo of Sherwin Williams said: "While we are pleased with the drug stores and paint stores' strong performance in the second quarter, we believe our consolidated results could have been higher. We will continue to emphasize aggressive marketing and cost efficiencies for the remainder of the year."

Chain drug stocks generate mixed results

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		From 06/29/84 - 07/16/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
					Monthly Change		52-Week						Last Fiscal Year					Latest P/E Ratio	Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct				Amt.	Yield		Revenue	Earnings				
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$		%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																											
Adams Drug	ADG	12.88	12.25	12.25	-.75	-5.77	24.88	11.00	.30	-1.19	-2.24	23.14	1.74	.62	F	55.3	40.0	2.4	7.0	.04	.3	06-11-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	33.25	31.88	33.13	.75	2.32	44.00	26.50	.75	.92	-3.35	12.10	3.61	.92	F	34.2	62.0	1.5	9.2	.64	1.9	06-20-84	7983.7	117.9	1.5	12.39	15.26	0184
Begley Drug	BGLY	14.50	14.50	14.50	.00	.00	23.00	14.50	.08	.19	.53	-33.33	1.47	1.46	N	NC	-10.0	1.4	9.9	.68	4.7	07-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	10.13	9.38	9.38	-.75	-7.41	14.50	8.88	-.02	-.76	-4.62	17.58	.53	.14	Q	33.3	23.0	3.0	16.7	.00	.0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Dart Drug Corp	DRUGA	103.00	91.00	93.00	-12.50	-11.85	121.00	57.00	.74	-.98	1.26	-2.07	5.43	6.32	N	207.2	67.0	3.1	9.9	.13	.1	06-04-84	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	3.75	3.50	3.75	-.13	-3.23	9.31	3.50	-.90	1.51	-1.98	13.83	.56	.56	F	NC	NC	2.1	6.7	.00	.0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	23.25	21.75	22.00	-1.25	-5.38	29.38	20.63	.17	.14	.21	10.49	1.91	.31	N	16.5	6.0	3.1	10.1	1.00	4.5	06-11-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	9.50	8.88	9.25	-.13	-1.33	14.50	8.38	.21	-.33	-2.35	-23.64	.60	.15	Q	31.2	56.0	2.6	14.7	.20	2.2	06-18-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	14.63	14.13	14.13	-.25	-1.74	20.50	10.19	.14	-.17	-6.56	18.85	.96	.31	Q	43.6	79.0	2.0	13.8	.20	1.4	06-14-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	21.00	20.25	21.00	.50	2.44	29.50	18.50	.42	.41	-2.23	-61.75	2.01	.03	Q	1.6	8.0	2.7	11.1	1.00	4.8	07-09-84	320.5	8.7	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	37.75	36.50	37.00	-.38	-1.00	49.75	34.00	.17	.14	-2.08	-27.60	3.43	.45	Q	14.8	11.0	3.0	10.6	1.28	3.5	05-22-84	1214.4	36.4	1.9	.00	20.32	0184
Pay N Save	PAYN	17.63	16.13	16.13	-1.13	-6.52	28.75	14.38	.00	-1.04	-.13	35.25	2.02	.38	Q	25.1	3.0	2.5	8.5	.60	3.7	05-21-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	18.00	17.50	17.75	.13	.71	19.88	14.00	.52	-.20	.46	-24.14	1.35	.30	Q	27.0	4.0	2.9	12.6	.34	1.9	06-18-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	15.50	14.38	15.50	1.00	6.90	22.38	12.38	.33	.76	-7.66	-52.84	1.02	.37	Q	50.0	11.0	1.6	14.0	.24	1.5	05-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	28.38	26.25	26.25	-1.75	-6.25	37.50	24.00	.15	-.64	-1.24	23.77	2.13	.56	N	29.7	24.0	3.7	10.8	.80	3.0	06-11-84	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	21.25	19.75	21.00	.38	1.82	23.44	17.50	.47	1.96	1.21	-27.20	1.47	.28	F	23.5	31.0	5.1	14.3	.41	2.0	04-10-84	1223.3	62.2	2.3	.49	7.68	0284
Thrifty Cp	TFD	16.25	15.25	15.38	-.13	-.81	22.00	11.50	.14	-.49	-.20	9.03	1.13	.28	S	28.0	19.0	1.9	12.0	.52	3.4	08-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	36.00	34.38	35.63	1.00	2.89	40.38	28.63	.48	.15	-.98	1.10	2.24	.57	S	29.0	34.0	2.9	14.1	.72	2.0	05-14-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	22.25	20.13	20.25	-2.00	-8.99	35.50	19.00	.22	-1.01	-3.55	8.74	1.60	.21	N	13.2	36.0	1.4	11.3	.32	1.6	07-26-84	1452.0	20.0	1.6	1.22	9.99	0883
Durr Fillauer	DUFM	12.63	11.38	12.38	1.00	8.79	21.00	10.25	.45	-.62	-3.87	-42.29	.80	.05	Q	6.6	22.0	1.9	15.5	.16	1.3	05-21-84	263.2	5.0	2.3	2.03	6.80	1283
McKesson Cp	MCK	37.00	34.75	36.00	1.13	3.23	49.63	32.38	.33	-.21	.03	33.69	3.25	.04	F	1.2	1.0	1.5	11.1	2.40	6.7	05-25-84	4260.0	63.0	1.4	10.45	30.25	0384
Foxmeyer Cp	FOXM	22.25	21.75	22.00	.00	.00	28.50	20.00	.36	.30	-5.83	19.30	.94	1.43	N	NC	103.0	.7	15.4	.00	.0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	13.88	12.38	13.50	1.25	10.20	21.00	11.38	-.07	.16	1.72	-29.59	.89	.51	N	113.3	97.0	.4	14.1	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	13.13	12.75	12.75	.00	.00	18.50	11.25	.57	-.19	-1.49	-56.14	1.41	.48	Q	53.3	12.0	1.2	9.2	.36	2.8	06-06-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	21.88	20.50	20.63	-.63	-2.94	25.38	15.50	.23	-1.21	-3.96	-4.74	1.78	.43	F	31.8	63.0	1.8	11.6	.14	.7	07-03-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	43.88	41.38	42.00	-1.63	-3.72	53.38	38.25	.05	-.86	-1.39	10.22	2.86	.50	Q	20.2	27.0	11.9	14.1	1.20	2.9	07-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	53.63	49.13	49.63	-3.38	-6.37	55.75	43.63	-.21	-.69	1.89	-21.03	4.00	.41	F	11.4	17.0	12.9	12.4	2.64	5.3	05-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	15.38	13.25	14.38	-1.00	-6.50	31.31	13.25	-.33	.73	-.55	-13.53	1.45	.10	Q	7.8	24.0	11.8	10.5	.33	2.3	06-05-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	26.00	25.00	25.50	-.50	-1.92	29.13	25.00	-.25	-.32	2.41	-50.00	3.28	.33	F	11.1	16.0	10.0	7.8	1.00	3.9	06-05-84	238.2	23.9	2.5	2.35	17.84	0383
Bolar Pharm	BLR	28.25	26.00	26.38	-1.63	-5.80	31.50	17.50	.03	.05	-3.33	-35.44	1.15	.27	Q	30.3	53.0	19.2	22.7	.05	.2	02-10-84	25.5	4.9	4.9	.00	4.76	1283
Bristol-Myers	BMY	46.88	43.75	45.25	-1.75	-3.72	49.38	35.75	-.09	.27	.85	-15.83	3.00	.45	Q	16.7	20.0	10.4	14.5	1.60	3.5	06-29-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	21.88	20.50	20.75	-1.13	-5.14	26.38	18.00	.13	.10	1.36	16.67	2.25	1.69	F	301.7	20.0	5.7	9.2	.48	2.3	04-13-84	323.1	18.4	2.4	1.69	21.67	0384
Cooper Labs	COO	26.75	23.38	24.00	.00	.00	27.00	10.38	.18	-.88	1.40	-22.56	NA	NA		NA	NA	NA	NA	.12	.5	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	15.63	13.88	14.38	-1.38	-8.73	39.63	13.50	-.19	-.86	-3.33	12.52	.54	.06	F	12.5	59.0	13.4	26.6	.00	.0	01-14-83	21.6	2.9	3.7	.37	3.03	0383
ICN Pharm	ICN	8.25	7.13	7.38	-.88	-10.61	13.88	4.88	.61	-1.47	-.03	-.65	.22	-.09	Q	-28.1	43.0	5.1	32.1	.00	.0	00-00-00	37.0	1.9	4.3	.20	4.34	1183
Key Pharm	KPH	13.13	12.25	12.63	.25	2.02	25.75	10.63	-.06	-.19	-2.15	-21.22	.51	.17	Q	44.7	83.0	14.8	23.0	.16	1.3	06-11-84	127.3	18.8	2.1	1.16	1.67	1283
Lilly Eli Co	LLY	60.88	57.50	58.13	-2.50	-4.12	68.38	56.63	-.11	-.62	.77	6.92	6.13	.89	Q	16.3	12.0	15.1	9.2	2.90	5.0	05-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.50	3.13	3.25	-.25	-7.14	3.75	2.00	.00	.19	-6.32	29.91	-.49	.54	Q	NE	-57.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	38.50	34.75	35.50	-3.00	-7.79	48.00	27.25	.03	-.79	-6.91	9.84	.78	.46	N	69.6	17.0	8.2	31.7	.40	1.1	06-14-84	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	92.50	83.88	84.88	-7.63	-8.24	104.63	82.63	-.02	-.05	2.96	-39.92	6.10	.58	Q	10.2	7.0	13.9	13.6	3.00	3.5	05-29-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	76.00	74.63	74.75	-1.25	-1.64	84.50	60.00	.03	.13	.09	3.15	5.15	1.25	N	25.7	17.0	5.2	12.3	1.76	2.4	05-24-84	1509.2	78.5	1.4	8.90	32.79	0683
Mylan Labs	MYLN	30.25	26.75	28.63	1.63	6.02	30.25	9.16	1.38	-.41	3.65	-25.53	.60	.17	F	39.5	107.0	12.7	47.7	.08	.3	05-21-84	36.9	4.7	5.4	.31	2.28	0384
Newport Pharm	NWPH	4.50	3.75	3.75	-.88	-18.92	10.75	3.75	-.60	-3.81	-2.63	29.77	-.03	-.09	N	NE	14.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	33.25	30.25	30.63	-2.13	-6.49	44.50	30.25	-.05	-.93	-.24	19.83	2.73	.60	Q	27.0	19.0	11.9	10.9	1.32	4.3	05-14-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.50	3.38	3.38	.00	.00	4.75	2.75	-.26	.53	1.24	19.08	.10	.03	N	30.0	56.0	6.1	26.0	.05	1.5	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	15.00	13.75	14.75	.50	3.51	29.38	13.00	-.04	-.12	-3.67	-21.92	2.40	.20	Q	9.1	20.0	10.3	6.2	.68	4.6	05-04-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	31.75	29.38	29.75	-1.75	-5.56	34.25	25.25	-.02	-1.31	.01	8.42	2.02	.24	Q	13.0	11.0	8.9	14.3	1.08	3.6	08-06-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	10.88	9.75	9.75	-1.13	-10.34	28.25	9.13	-.09	.37	.50	15.70	.52	-.52	F	-50.0	-1.0	2.3	18.8	.32	3.3	03-14-84	171.7	4.0	2.5	4.57	10.88	0383
Searle, GD	SRL	45.50	40.25	44.88	-.88	-1.91	55.88	37.50	.06	2.50	2.81	20.08	2.39	-.17	F	-6.6	14.0	12.6	18.8	.52	1.2	05-08-84	946.0	119.0	2.4	3.62	14.85	1283
Squibb Corp	SQB	46.38	43.50	45.00	-1.13	-2.44	55.63	37.50	.48	.07	-.46	7.00	3.31	.33	Q	10.8	11.0	9.8	13.4	1.44	3.2	05-14-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	26.88	24.25	24.50	-2.25	-8.41	29.63	23.50	.12	-.43	-.66	9.80	2.24	.13	Q	6.0	7.0	7.2	10.8	1.16	4.7	05-01-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	45.25	41.63	42.00	-1.00	-2.33	61.50	37.75	.27	-1.36	-3.18	-44.11	4.30	.40	S	9.9	36.0	17.2	9.5	1.60	3.8	05-07-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	25.38	23.88	24.25	-1.00	-3.96	26.50	12.75	.00	.40	-1.78	-8.00	1.65	.76	Q	61.7	70.0	11.0	12.2	.40	1.6	06-11-84	149.4	16.5	4.5	.00	4.53	1182
Upjohn Co	UPJ	65.25	51.00	51.75	-14.50	-21.89	72.25	50.75	-.49	-3.72	8.64	15.58	5.28	1.65	Q	38.7	2.0	8.1	8.8	2.56	4.9	07-02-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	31.50	29.50	30.00	-1.38	-4.38	36.75	26.38	.04	-.47	-.39	12.25	2.51	.50	Q	23.6	1.0	6.5	11.5	1.48	4.9	04-30-84	3108.3	200.5	1.9	7.53	17.75	1283
Zenith Labs	ZENI	15.25	14.00	15.00	-.25	-1.64	17.75	12.00	-.30	.37	.00	-29.94	.73	-.54	Q	-45.7	61.0	7.8	23.4	.00	.0	00-00-00	32.1	2.5	4.6	1.12	5.12	1283

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

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BEST COPY AVAILABLE

MERCHANDISER

Creating a cosmetics dept. for today's shopper

ORLANDO, Fla. — With America getting grayer, retailers and manufacturers must ask themselves if they're prepared to satisfy the needs of the older shopper.

That was one of the key points raised by Jay Forbes, Deborah Malone and Faye Brookman of *Drug Store News* during their presentation to the National Association of Chain Drug Stores' annual cosmetics/fragrance meeting last month in Orlando.

"We've all heard America is getting grayer. What will that mean to suppliers and retailers who are avidly pursuing the under-24-year-old market?" Forbes asked. "Do you abandon the chase, change direction completely or begin shifting emphasis?"

He suggested that aging baby boomers do not suddenly stop trying new brands. In fact, he stated the older generation will probably be more likely to test products that retard the aging process, including sun screens, collagen creams and lip repair items.

It was with the older shopper in mind that *Drug Store News* turned to *Better Homes and Gardens* to complete consumer research via the magazine's consumer panel.

The panel consists of 1,000 women in a wide geographic range. Fifty-four per cent of the *BH&G* Consumer Panel are employed, 62% are college educated and 89% are part of families who own their own homes. The median market value of those homes is $74,708.

In terms of household income, 76.4% earn $20,000 or more. In other words, this is a group of women with hefty discretionary income levels. Because most of them work, they are heavy cosmetics users.

Following are some of the results of the findings:

The best news is that this group prefers to shop a drug store for cosmetics. Of the sample, 44.4% opted for a drug store. Close on the heels of the drug store, however, is the department store with 37.8% of the responses. Discounters are also gaining ground with this mature shopper with a 30.8% preference rating. Supermarkets were selected by 18.3%, specialty stores 8% and door-to-door salesmen 22%. The remainder purchased cosmetics via other outlets or do not buy cosmetics. (The figures add up to more than 100% because of multiple responses.)

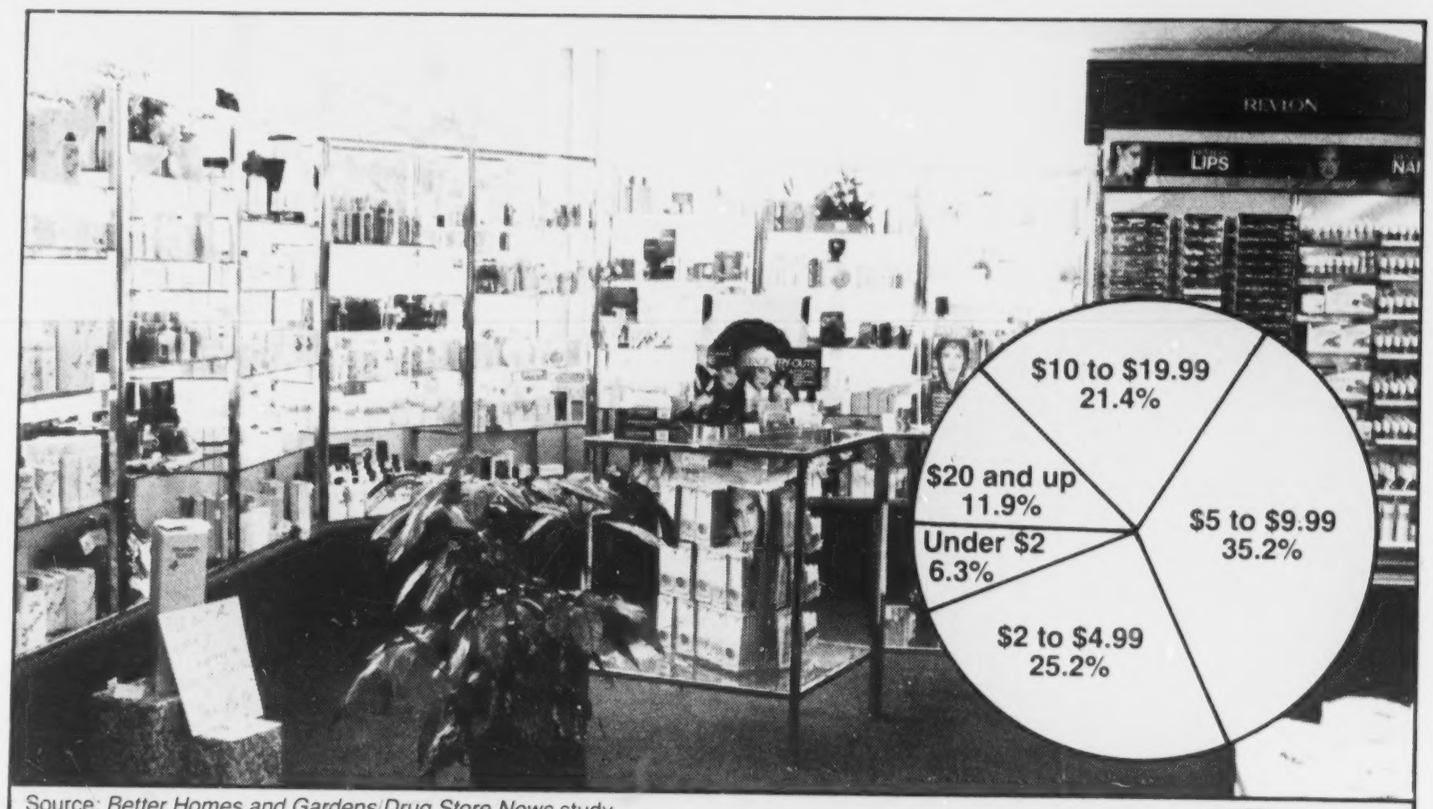
Although drug stores were the preferred outlet, this mature audience does appear to appreciate the department store atmosphere.

Emulate department stores

"This could suggest," Malone said, "that drug stores ought to do more to attract the mature shopper. Perhaps one route for retailers is to continue to upscale their departments and create more of a department store ambience."

The presentation was peppered with remarks from leading retailers and manufacturers. One such source was Arne

Continued on page 25



Source: *Better Homes and Gardens/Drug Store News* study

Drug Store News presentation at NACDS cosmetics conference

NAILS
Action taken when preferred product not available in favorite store
Go to different type store 39.0%
Go to another store of same type 33.8%
Find out when product would be available 12.9%
Switch brands and buy substitute product 13.6%
Don't know no answer 0.7%
Source: Better Homes and Gardens Drug Store News study

How consumer advertising affects cosmetics buying habits

Look for trial size	44.1%
Not influenced by ad claims	37.5%
Ask salesman for recommendation	4.9%
Wait for relative or friend to try first	4.1%
Immediately make purchase	3.6%
No answer/don't know	5.8%

Source: *Better Homes and Gardens/Drug Stores News* study

The #1 choice in stores stocking as OTC cold sore recommendation.
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NEW
stocking stuffer

Brand loyalty toward cosmetics

Always buy brands-never try others	20.2%
Usually buy favorite brands-sometimes try others	62.3%
Purchase equally favorite and other brands	13.4%
Constantly try other brands	2.9%
Don't know/no answer	1.2%

Source: *Better Homes and Gardens/ Drug Store News* study

Drug Store News presentation at NACDS cosmetics conference

Customer preference—service vs. self service

Clerk available if needed	32.6%
Trained cosmetician for guidance	21.2%
Serve yourself in store	34.5%
Sales conference at home	10.2%
Don't know/no answer	1.5%

Source: *Better Homes and Gardens/Drug Store News* study

Today's cosmetics shopper: mature and brand loyal

Continued from page 24

Zimmerman, sr. vp of L'Oreal, who elaborated on the department store situation. He suggested that department stores will once again become more powerful in cosmetics and add selling space for middle-of-the-road brands including L'Oreal.

As for food stores, both Zimmerman and Neil Roth, president of Rome, N.Y.-based Carls, maintained that food stores will never acquire the merchandising flair required to adequately sell cosmetics and fragrances.

The *BH&G* study found that there was a great range in cosmetics spending patterns. Most of the transactions were between $5 and $10. However, 12% spend $20 or more each time they shop.

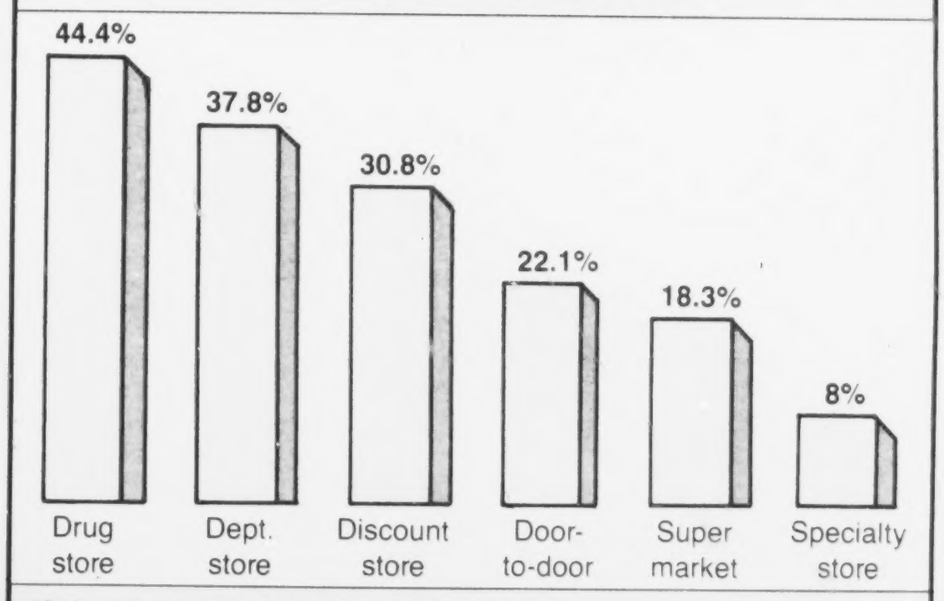
"We feel this clearly indicates that there are no longer the price-point guidelines that existed five years ago," Brookman told the group. "We'd like to suggest that stratification has replaced the high/low disparity present in the last few years. Perhaps these guidelines are breaking down as shoppers with higher incomes opt for quality and value."

The speakers suggested that new pricing strategies might be in order. "Do you upscale and risk losing the budget-minded shopper or will you offend the prestige manufacturer by merchandising his line alongside a 99¢ brand?" Brookman asked.

Following the speech, retailers told *Drug Store News* that they face a major problem deciding how to upgrade without losing the budget shopper. Most reported that they try to separate the products. Many house the upscale selection in service islands while the lower-end goods are given pegged wall space.

The older shopper tends to be very brand loyal, according to the study, with 20.2% stating they always buy their favorite brand and 62.3% responding they usually buy a favorite item and only sometimes try something new.

Outlets most frequented for cosmetics purchases*



*Adds up to more than 100% because of multiple responses
Source: *Better Homes and Gardens Drug Store News* study

Try trial sizes

This poses a problem for manufacturers launching new products. It also makes it difficult for new vendors to entice customers to switch brands. Malone suggested manufacturers use trial sizes to capture new users. Brookman added that creating product innovations, such as L'Oreal has done with mousse and Arden with Lip Fix, also creates new users.

To underline the importance of trial sizes, Malone showed the results from the survey which showed how consumers are affected by advertising. Almost 38% said they are not influenced by ad claims, about 5% said they'd ask a clerk about an advertised item while 4% said they'd wait for a friend's endorsement. However, a strong 44% indicated they would buy a trial size.

"Not only does it satisfy a woman's business and travel needs, but is a practical choice for the value-conscious shopper," Malone explained.

Praise for cosmeticians

During the speech, Brookman and Malone talked about the importance of a cosmetician. More than half of those surveyed expressed a need for some kind of assistance in the store. Almost 1 in 4 actually preferred a trained cosmetician. Chains attending the conference agreed that today's woman demands more assistance than ever before.

As a concluding thought, Malone pointed out that there is potential in the body care and foot care segments of the market.

"Although women currently place emphasis on body toners and foot care products, these two areas could hold good potential," Malone said. She suggested manufacturers pump money into developing and promoting products for these areas of the body.

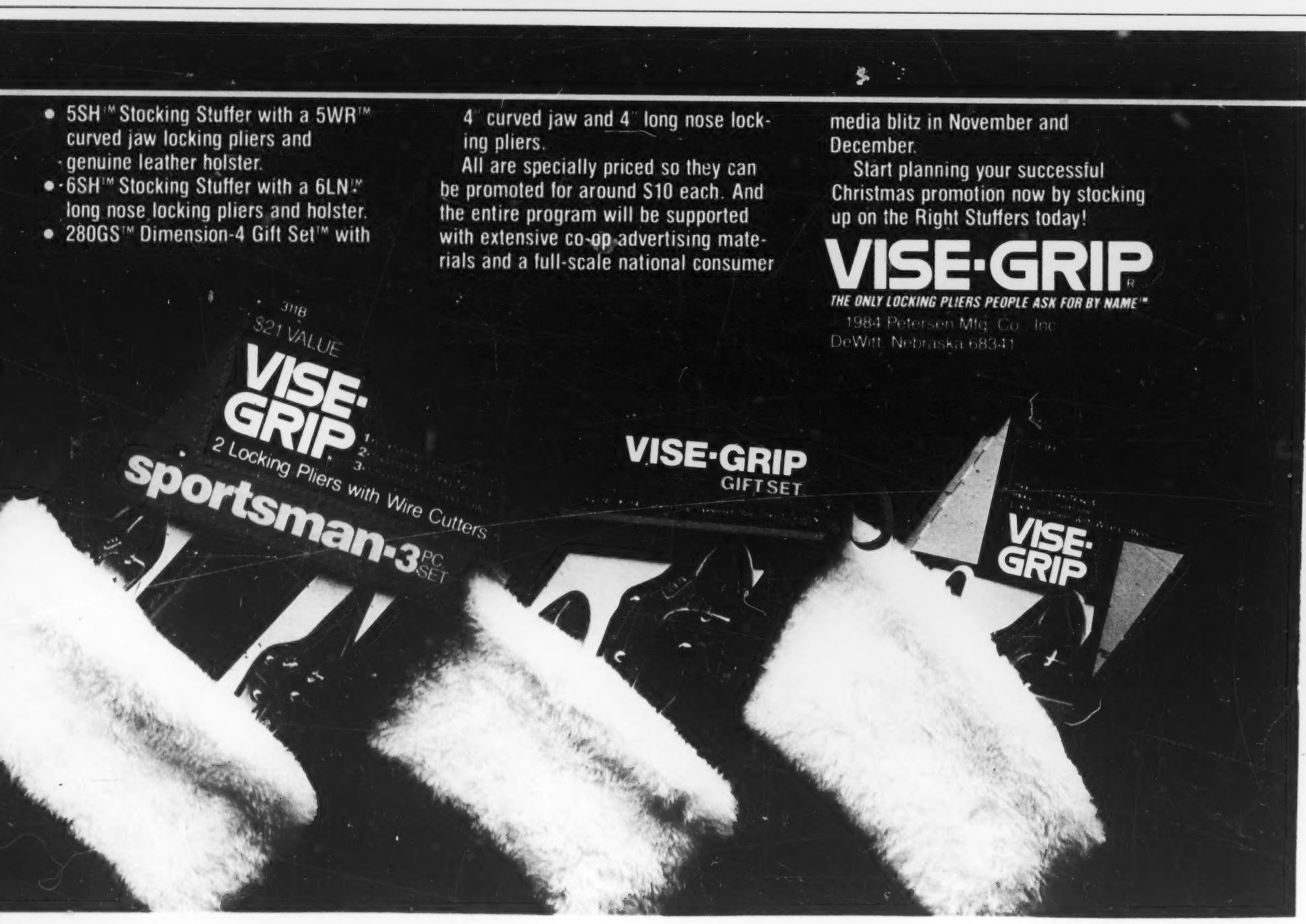
In their concluding remarks, Malone and Brookman cautioned retailers to gear up for the aging of the baby boom.

"Drug stores already have an investment in the older shopper . . . they should work to satisfy this group's shopping needs."

Cosmetics shoppers using beauty care products

Hair care	82.7%
Hand care	82.7%
Fragrances	81.5%
Skin care	81.5%
Eye care enhancement	61.6%
Body toners	42.8%
Foot care	26.0%

Source: *Better Homes and Gardens Drug Store News* study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Nielsen vp says chains losing race for H&BA sales

Continued from page 3

Dick Schaefer, vice president of H&BA for Majors Corp., and Richard Aubry, the company's marketing manager, presented data that suggested that such a reversal might indeed be under way. The firm specializes in ad and promotion analysis.

In the first quarter of 1984, after two years of reducing ad space for H&BA, drug stores increased ad space in that category by 27%, Majers discovered.

At the same time, they said, food and mass-merchandise stores were devoting less space to H&BA.

Aubry and Schaefer said they saw this return to increased drug chain emphasis on core H&BA items as a "positive shift that should be continued."

They said the way to regain and continue to experience momentum with H&BA products is by aggressively using lead features and hot prices.

"Aggressive tie-ins in Sunday ads backed up with store displays will dramatially increase volume," they advised.

In other presentations at the show, Allen Karcher, director of Trade Relations for Eastman Kodak, and Vincent S. Zuccaro, vice president of professional services for Barnes-Hine Hydrocurve, discussed new trends in the photo and eye care category, respectively. Dave Robinson, national marketing manager for Hallmark, and Bill Marter, national sales director for Ambassador, discussed trends in the greeting card category.

Howard Stumpf, president of the Point of Purchase Advertising Institute and John Kawula, vp, discussed the preliminary findings of their 1983 drug store consumer buying habit study. A full in-depth analysis of that study will be presented in *Drug Stores News'* Dec. 10 issue. For the results of the initial findings, please see our April 16, 1984 issue.

How drug stores compare with food and mass-merchandise stores on H&BA category growth
(Index of dollar sales growth for the period ended Jan. 1, 1984)

Category	Drug index	Food index	Mass-merchandise index
Home waves	359	516	428
Disposable diapers	223	275	260
Headache remedies	234	245	258
Sanitary protection	207	229	270
After shampoo	212	233	236
Sinus Relief products	180	256	273
Feminine douches	177	260	265
After-shave lotions	198	224	214
Dentifrices	188	203	228
Hand lotions	189	228	194
Shaving cream	169	207	183
Cold tablets	172	201	196
Shampoo	163	191	195
Hair fixtures	170	190	190
Deodorants	162	183	192
Mouthwash	155	188	174
Razor blades	166	175	177
Face creams	149	228	188
Stomach remedies	153	180	178
Foot remedies	156	209	155
Hair coloring	156	177	166
Multiple vitamins	126	282	219
Bath additives	126	148	127
Men's hair preps	128	148	127
Topical antiseptics	114	118	110
Total H&BA Index	176	218	210

*Index is based on Jan. 1, 1977, equaling base of 100
Source: A. C. Nielsen

Revco tops $2 billion in sales

Continued from page 3

rounding the incidents also battered the price of Revco stock, although the stock has recovered somewhat.

But despite the pending legal action, Revco continues to impress most analysts who follow the chain. The Odd Lot acquisition has been heralded as a "natural extension" for the company. Odd Lot finished the fiscal year with sales of $256 million and net operating income of $12.2 million. Revco plans to open approximately 60 new Odd Lot stores during 1985.

The drug store division also shows signs of steady growth, one analyst noted. Although there has been some concern expressed over the softer 9.3% like-store sales gain in the fourth quarter, same-store sales for the fiscal year rose 12.3%. Pharmacy sales also advanced 12.3%.

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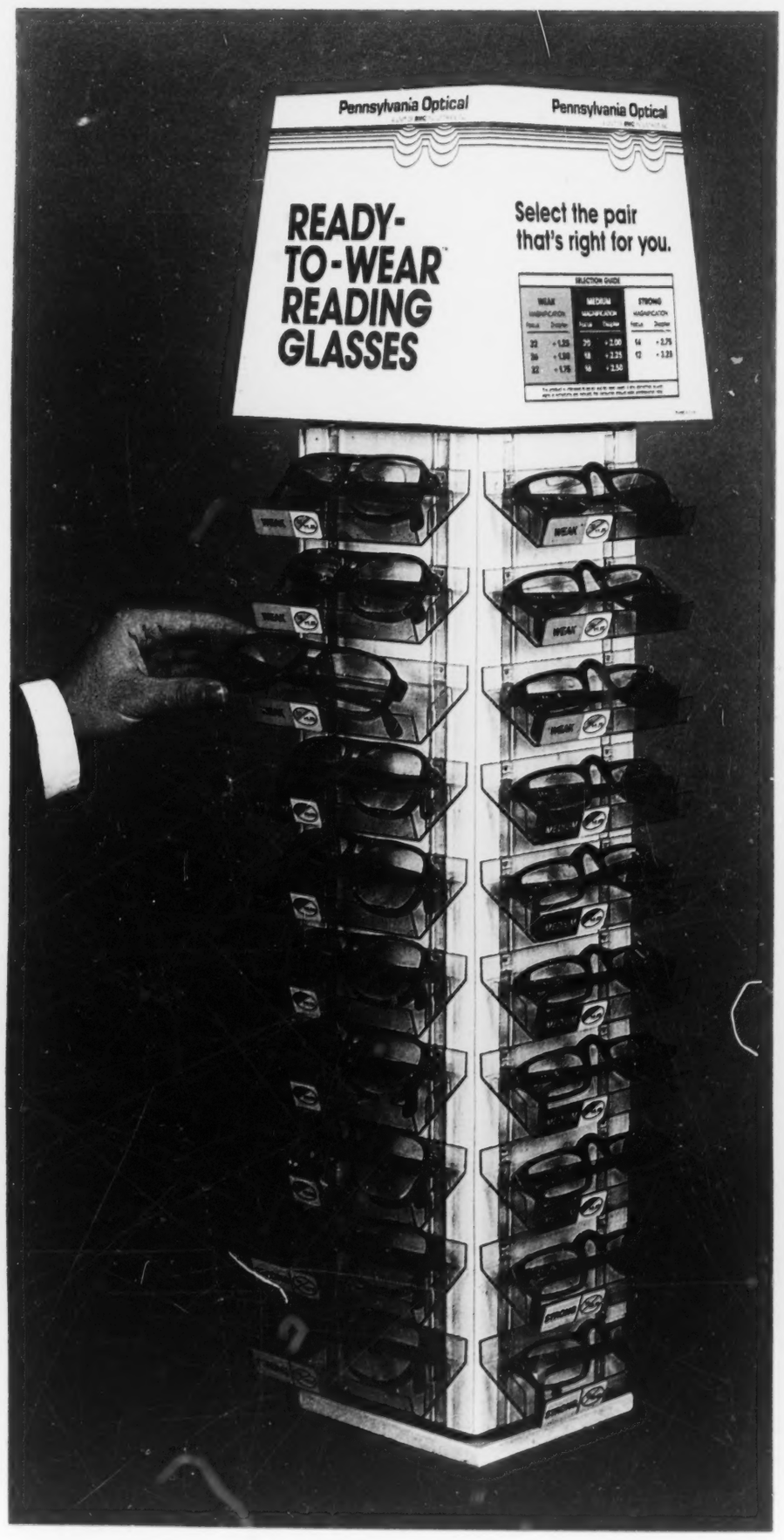

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MERCHANDISER
Chains see antacid promos as mixed blessing—p. 15

PHARMACY
Survey of the Top 100 Rx products—p. 31

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DRUG STORE NEWS

Vol. 6/No. 18 | Serving the Retail Drug Store Industry for 55 years | Published by Lebhar-Friedman Inc. | August 20, 1984

Big B plans Rx, POS computer link

By Elizabeth Parks

BIRMINGHAM, Ala. — Big B, a 100-unit drug chain headquartered here, is currently installing a new stand-alone pharmacy computer system that could ultimately be used to manage the entire store, not just the pharmacy department.

After the installation is complete, probably by the fall of this year, Big B plans to install "communicating" electronic point-of-sale cash registers in one or two "test stores," and to link or "integrate" them with the new pharmacy software systems within those stores.

If the test is a success, Big B could become the industry's first major chain to operate a fully integrated automated store management program. Many chains now have stand-alone pharmacy computer systems in their stores as well as electronic cash registers, but as far as *Drug Store News* has been able to determine, Big B would be the first chain to install chainwide a stand-alone microcomputer system that has the capacity to "talk to" and "collect information from" communicating point-of-sale registers.

At least four other chains, however, are testing such a system within select stores, including Rite Aid. In addition, the McKesson Corp. has announced that it will be making a comparable system available for the first time to both independents and chain retailers starting this fall.

Pay 'n Save, a Seattle-based operator of 143 "super" drug stores, averaging over 22,000 sq. ft. in size, is also installing a comparable system (see related story, page 2). However, management says a fully integrated automated program is not yet in reach.

Jim Bruno, equipment buyer for Big B Drugs, says that Big B is "not definite yet" as to exactly when it will install "communicating" electronic point-of-sale registers that will start the test, but it probably will be "around the first of next year.

"Eventually we know we need to be there," he said, "but our first priority now is to complete the roll-out of the stand-alone computers, then we'll begin tying the Rx computer to the front end."

Big B has been using an on-line pharmacy computer system for the past four years, but in February, the chain began rolling out a new system composed of an

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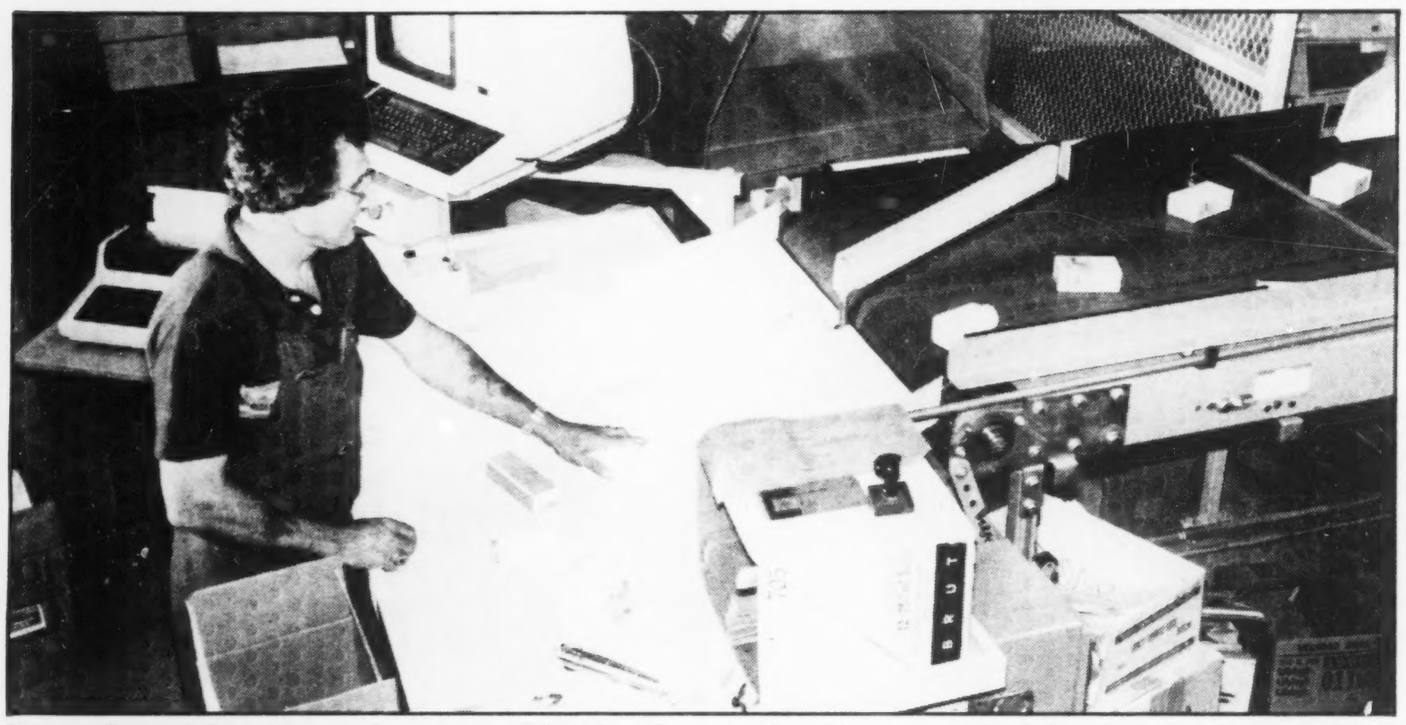

Bergen Brunswig execs say the automated pick of fast-turning pharmaceuticals has increased productivity.

Bergen warehouse testing Itematics

LOS ANGELES — Bergen Brunswig is testing an automated order-picking system that is currently averaging a picking rate of just over 1,000 lines per hour, "10 times faster than humans," executives say.

The test, which has been under way since February, consists of two automated picking stations located in Bergen's San Jose distribution center.

The two machines, which hold 1,700 pharmaceutical items between them, are currently filling 75% of Bergen's invoice lines of prescriptions.

Bergen's chairman of the board, Emil Martini Jr., says he expects the $750,000 system to pay for itself "within three and a half years."

"Clearly we expect to expand the system to other facilities," he said, "but whether it will be this system or a system produced by another manufacturer we are not sure yet."

Like Walgreens, Bergen is using an automated order-picking system made by Itematics.

The system's price tag includes both hardware and software which has been redesigned to allow Bergen to integrate the new controller system with computer applications already in use within Bergen's various facilities.

Martini says that of Bergen's current 50 distribution facilities, "10 are potential candidates for the automated order

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Rite Aid buys 18-store discount bookstore chain

By Gail Appleson

PHILADELPHIA — Rite Aid cut another notch in its strategic planning yardstick with the purchase of the Philadelphia-based Encore discount bookstore chain.

Encore currently has 18 stores with plans to open an additional three—all in the Philadelphia market—within the next few months. The chain's revenue was $10.2 million for the fiscal year ended Jan. 31.

The purchase completes Rite Aid's previously announced plans to venture into three new retail markets: auto parts, toys and books. In March, Rite Aid bought ADAP, a discount auto-parts chain, and in 1982, it acquired Circus World toy store chain.

Financial analysts said that while Encore's revenues are small in comparison to Rite Aid's $1.2-billion-plus, they would—together with the other diversified retail operations—help boost corporate sales growth by a few percentage points—thus increasing the value of the company's stock.

Industry sources cited several factors that made Encore attractive as an acquisition target:

- It is dominant in Philadelphia.
- It has potential for growth.
- Individual stores generate sales slightly higher than the industry average.

Encore is frequently compared with Crown Books, owned in part by the Dart Corp. and Thrifty Corp. Although Crown is a much larger chain, with 163 stores and revenues of $91.4 million at the end of the fiscal year ended Jan. 31, sales per store are similar to that of Encore's—in the $700,000

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Late News

TRANSMED, the home health care affiliate of the Hospital Corporation of America, has agreed in principle to acquire Johnson & Johnson's Home Health Care Inc., consisting of home health centers in Dallas and Houston, and Long Beach, Calif. Terms were not disclosed.

THE PNEUMO CORP., the diversified aerospace, food and drug concern whose holdings include Carls Drug, confirmed that it may be the target of a takeover by an unidentified company. Pneumo, which is traded on the New York Stock Exchange, closed at $35.25 Aug. 6, up nearly $2.50 in heavy trading.

SUPERX DRUG opened its first home health care center in a 5,000-sq.-ft. (3,300 sq. ft. selling) facility in Madison, Tenn., just north of Nashville. The mix includes wheelchairs, patient room equipment, walking aids, respiratory therapy products and urological and incontinence items.

ACPE CONTINUING EDUCATION PROGRAM
Computer memory: How it works—pp. 23-30.

Picture looks bright

Chains cashing in on video rentals

By Jim Ricchiuti

NEW YORK — Video rental departments are emerging as an important new profit center for many drug chains throughout the country.

In the past year, a number of drug retailers have begun leasing out space to independent video wholesalers, or have begun installing company-operated movie departments in their stores. For example:

- Douglas Drug, a 10-store chain based in North Providence, R.I., has invested more than $25,000 per store in a sophisticated video rental department that is monitored at the store level by individual stand-alone computers.
- The Portland, Me.-based Wellby Drug has invested even more in its new video departments. Wellby, a division of Hannaford Bros. Co., which also operates Shop 'N Save su-

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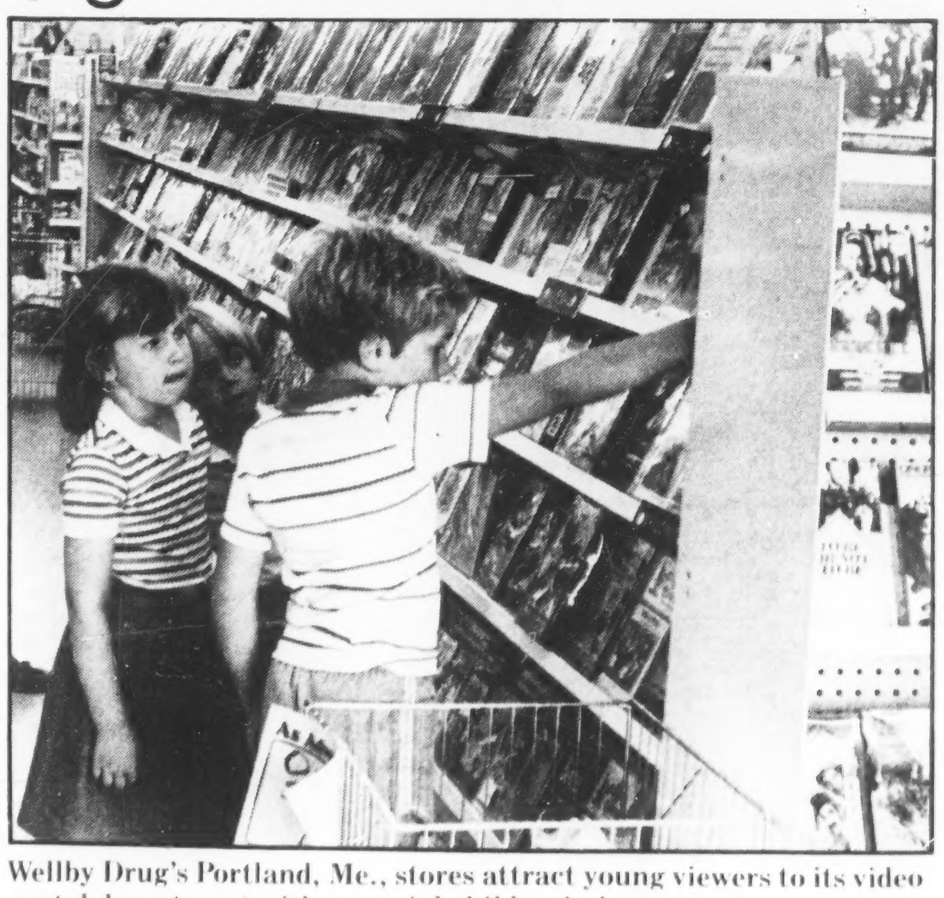

Wellby Drug's Portland, Me., stores attract young viewers to its video rental department with a special children's department.

House unit approves compromise patent bill

WASHINGTON — The House Judiciary Committee has passed a controversial Abbreviated New Drug Application/Patent Term Restoration bill despite strong reservations voiced by Reagan Administration officials and outspoken opposition from a coalition of the nation's largest drug firms.

The bill, which represents a major trade-off between brand-name manufacturers and the generic drug industry, would restore up to five years of patent life lost during the Food and Drug Administration regulatory review process.

At the same time, the version approved by the committee would allow generic manufacturers to use fast-track ANDA's for generic versions of drugs marketed after 1962.

Although opponents of the legislation support the concept behind the bill, they have vigorously pushed for changes in key provisions of the measure. However, at presstime they appeared to be losing the battle.

Before passing the ANDA/Patent Term Restoration bill late last month, the Judiciary Committee rejected numerous amendments offered on behalf of the Reagan Administration and the coalition.

The coalition consists of 11 "dissident" drug manufacturers who oppose the Pharmaceutical Manufacturers Association's decision to back the pending bill.

While it may be too late to change the House bill, unless amendments are allowed when the full House considers the measure, at presstime the door was still wide open on the Senate side.

The Senate Labor and Human Resources Committee was scheduled to vote on the Senate bill, which is almost identical to the House measure, this month.

According to Rep. Carlos Moorhead (D-Calif.) some members of the Senate Labor and Human Resources Committee will bring up the same types of amendments voted down by the House Judiciary Committee.

A key amendment rejected by the Judiciary Committee would have lifted the bill's restrictions that only the first patent on a product is eligible for an extension.

According to Rep. William Hughes (D-N.J.), who offered the amendment, the bill does not encourage the owners of a product patent to invest the sums needed for research and development to find new uses for the already patented drug.

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—News in brief—

Supermarkets General's sales rise 10.5%

WOODBRIDGE, N.J. — Supermarkets General Corp., operators of Pathmark Supermarkets and drug stores, reported that sales for the four-week period ended July 28 rose 10.5% to $291.6 million from $263.8 million during the same period last year.

For the first 26 weeks of the current fiscal year, the company said sales are up 8.1% to $1.86 billion from $1.7 billion during a comparable period last year.

Pneumo opens first combo

LEBANON, N.H. — Pneumo Corp.'s first combination store, which unites a P&C supermarket and Carls Drug store under one roof, opened here last month in a 48,000-sq.-ft. site. The mix is 70% food and 30% drug.

Opening-day traffic was brisk, according to a Carls spokesman. Prescription business is getting a good start, he added, as a result of 45,000 $10-off coupons mailed to area residents. The combo was also announced to consumers via a 48-page tabloid ad in local papers.

Jay-Jay's opens in Syracuse

SYRACUSE — S. M. Flickinger Co., a Buffalo, N.Y.-based food retailer, has opened a 25,000-sq.-ft deep-discount drug store called Jay-Jay's. This is the first deep-discounter to try to crack the Syracuse market since Carls drug converted its Cost-Rite store back to a traditional drug store two years ago.

New name for Begley

RICHMOND, Ky. — The 63-year-old Begley Drug Co. last month changed its name to Begley Company to reflect its diversified operations.

In addition to its 45 drug stores, Begley operates four home health care centers and two jewelry outlets, all in Kentucky, and 108 dry cleaning outlets in eight states.

Chuinard opens new firm

TROY, Mich. — Perry Drug Stores health & beauty aids buyer Bernie Chuinard has left Perry to start his own H&BA brokerage firm called Ber-nard Marketing.

Ber-nard Marketing represents products made by several H&BA manufacturers including W. W. Wrigley; DeWitt; O'Connor; Windmill Vitamins and Pfizer Pfipharmecs. The new company also offers market and sales analysis for the food and drug trade, mass merchandisers and wholesalers.

Chuinard joined Perry in 1965 as a stock clerk. Since 1979, he was H&BA buyer for the 120 drug stores.

Rix buys JAX store

AUBURNDALE, Mass. — Rix Corp. has acquired the JAX Discount Health & Beauty Aid Store in the Jamaica Plain section of Boston.

According to Richard Weinberg, president of the 108-store chain, Rix purchased the 6,000-sq.-ft. unit following the death of the owner. Rix is remodeling and remerchandising the store and "volume has already doubled."

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Vol. 6, No. 18 August 20, 1984

Pay 'n Save's store automation nears completion of first phase

SEATTLE — Pay 'n Save, one of the industry's first major chains to put "communication capacity" electronic point-of-sale terminals with scanners into all of its stores, should be finished with the first phase of its roll-out by September.

The 143-unit chain, which first began testing "communicating" electronic scanning point-of-sale last February, should have 13 Puget sound stores completed by September.

Sources say management plans at that point to stop to "fine tune and modify" the new applications the system will provide, then continue with another major installation push next year. Pay 'n Save has said that it plans to complete the chainwide roll-out in three to four years.

In the 13 stores that will have the new system this year, Pay 'n Save will be implementing the industry's first semiautomated store management program. Eventually the chain plans to include its computerized pharmacy application programs into the system to create a fully automated store.

Right now the 13 Pay 'n Save stores that have the EPOS scanners are technically capable of fully automating the store. However, it will be a long and tedious process before Pay 'n Save can transfer the data from its existing pharmacy computer system into the super microprocessor that will one day manage the entire store.

The supermicro, NCR's Tower 1632, is now operational in the 13 pilot stores, but it is currently only handling a limited number of applications such as shelf labeling, file maintenance and spread sheets.

Over the course of the next year, the applications will expand to include gross-margin analysis, shelf-label audits, inventory control, daily sales reports, direct-store deliveries, labor scheduling, time and attendance reports, electronic mail, order entry, word processing and eventually pharmacy applications.

The system, when it is fully effected, will resemble what Big B will be testing with National Data Corp and TECH

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NWDA, DWA set to merge; group seeks stronger voice

ALEXANDRIA, Va. — The National Wholesale Druggists' Association (NWDA) is expected to give the go-ahead to a merger with the Drug Wholesalers Association during an NWDA membership meeting here Aug. 27.

The merger was previously approved by DWA's membership and NWDA's board of directors. Final authorization rests with NWDA's members.

Both groups have been pushing for the action, believing that if unified, they would have a stronger voice with Government representatives.

If the merger is approved, the combined group would operate under NWDA's name, and each corporate entity, regardless of size, would be entitled to one vote. Currently NWDA allows wholesalers one vote for each distribution center—thus a total of 356 votes. NWDA also has 333 associate (nonvoting) members, who are manufacturers. The NWDA represents between 65% and 70% of the drug wholesaler industry.

DWA has 60 voting members representing 200 distribution centers, and 140 associate (nonvoting) members, also manufacturers. If the merger is approved, the new NWDA would represent 95% of the drug wholesaler industry.

There is currently an overlap in the groups' memberships with 40 of DWA's 60 voting members belonging to NWDA.

It is expected that the DWA's annual meeting, scheduled in Hawaii during February, will still be held but as an NWDA forum for wholesalers with smaller numbers of distribution centers.

Charles Treffrey, DWA executive vp, has resigned to become NWDA's vp and coo.

Genovese store plan calls for 10% increase

NEW YORK — Strategic growth plans at Genovese Drug Stores call for a yearly 10% increase in new stores, and chain chairman and president Leonard Genovese expects most of that growth to come from existing markets. In fact, Genovese believes the chain can eventually double the number of stores within its trade area.

The 79-store Melville, N.Y.-based chain operates in some of the most heavily populated and lucrative markets in the country. "Our markets [metropolitan New York, New Jersey, Connecticut and Massachusetts] have 10% of the nation's population and 20% of the disposable income," Genovese pointed out.

Although the chain has avoided Manhattan—the heart of New York City's business and cultural activities—Genovese hinted to a recent gathering of retail analysts that the chain might take a stab at the Big Apple.

"We will perhaps go into Manhattan shortly," he told the group, but would not elaborate.

Genovese said the chain should have no problem meeting its growth goals. For example, he said Long Island could accommodate up to 12 more stores, Staten Island three or four and "it's wide open in New Jersey."

Currently, according to Genovese, Pathmark is the biggest competitor. However, he feels Pathmark's combo shoppers differ from those who use Genovese for drug store needs.

"They have their peas and canned goods—we have our items," he said. "And we have the right locations and fair prices. You don't have to be the lowest on the block . . . but you must have quality merchandise."

He also responded to ana-

Continued on page 62

PLEASE NOTE

The National Merchandise Show will be held at the New York Coliseum September 8 through 11, 1984. Open Saturday through Tuesday.

Drug industry PAC's set fund-raising record

Special report:

PAC's and the '84 campaign

By Laura Woda

WASHINGTON — An aggressive political fund-raising drive engineered by drug chains, independent pharmacists and drug wholesalers has already generated nearly $330,000 for the upcoming November elections—18% more than the industry's entire 1982 campaign war chest.

A *Drug Store News* analysis of Political Action Committee reports on file with the Federal Election Commission found that at presstime drug store industry PAC's had collected twice as many campaign dollars as during the same period of the 1982 election cycle.

According to industry leaders this surge in PAC collections has been triggered largely by serious Congressional consideration of legislation that directly affects pharmacists, drug chains and wholesalers.

Since the last election Congress has passed pharmacy-crime legislation, considered changing the Medicaid copayment system, debated trademark-counterfeiting proposals, drafted a controversial Patent Restoration/Abbreviated New Drug Application bill and held hearings on a measure that would require nonprescription drugs to state all inactive ingredients, National Association of Chain Drug Stores Government Affairs vice president Ty Kelley pointed out.

"Growing political awareness that what happens on Capitol Hill does affect day-to-day business operations" has enabled industry PAC's to collect record amounts of funds for the 1984 elections, he added.

According to Kelley, "NACDS' PAC has raised the most funds in the association's history" for the upcoming November election. At presstime, the political fund-raising group had collected nearly $40,000, compared with $15,950 for the entire 1982 election campaign.

While NACDS officials acknowledged that the presidential race may be partially responsible for the surge in collections, they stressed that it was not the major reason.

Rite Aid Government Trade Relations vice president James Krahuloc agreed, noting that media coverage of the presidential race may heighten Ameri-

Continued on page 11

Industry PAC's give Democrats slight edge

	Contribution dollars		Number of contributions	
PAC sponsor	Democrats	Republicans	Democrats	Republicans
Foremost-McKesson	$ 1,000	$ 500	2	1
Jack Eckerd	2,050	1,350	7	4
Longs Drug Stores	1,150	1,050	2	4
Malone & Hyde	20,000	16,500	18	7
Perry Drug Stores	—	—	—	—
Revco Drug Stores	3,300	1,600	9	7
Rite Aid	—	1,208	—	3
Walgreens	1,700	2,950	4	6
NACDS	13,650	11,850	32	33
NARD	10,000	8,810	24	20
Totals	58,850	45,818	98	85

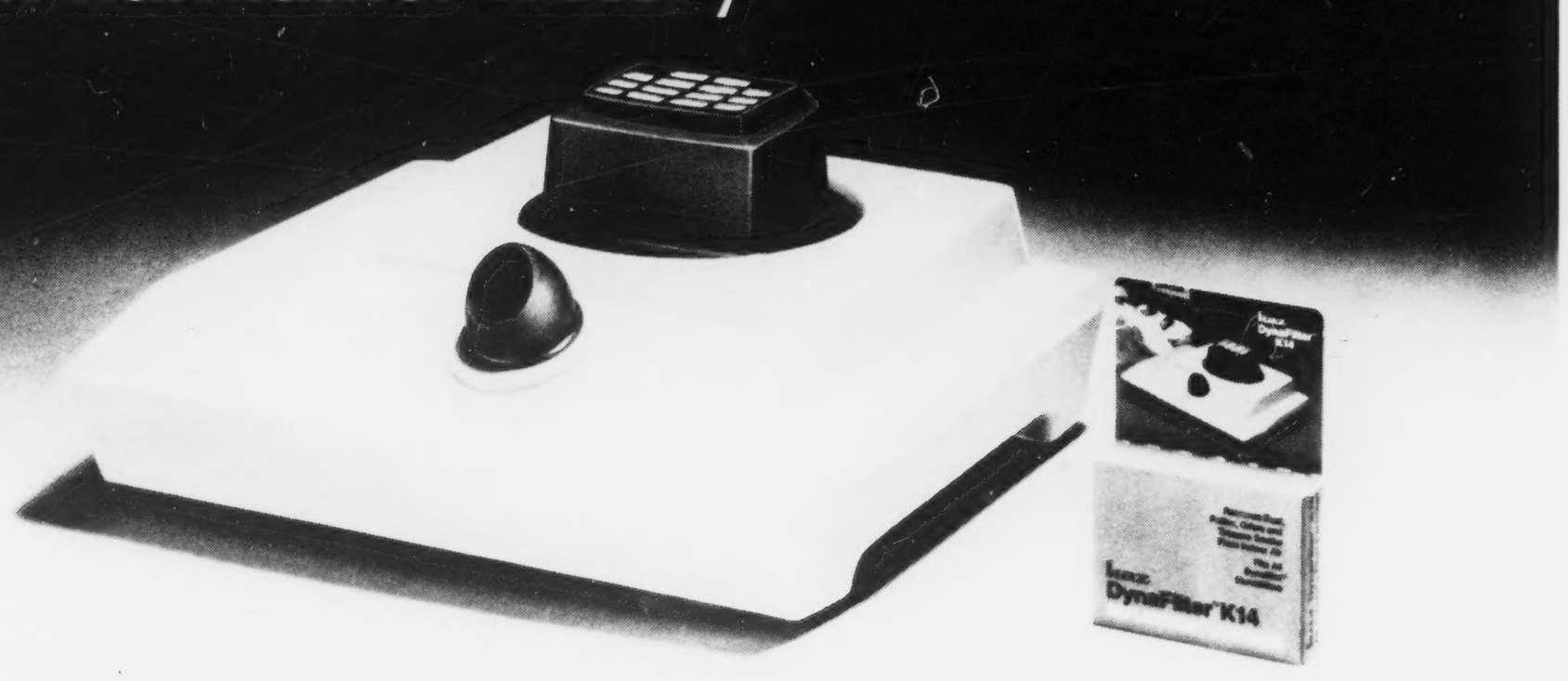
Source: *Drug Store News*

Malone & Hyde's contributions in state, local races top list

WASHINGTON — Here's how the 12 PAC's representing drug chains, pharmacists and drug wholesalers shape up now:

- Malone & Hyde, the largest of the retail and wholesale drug PAC's tracked by *DrSN*, gave over $38,000 to state and local candidates primarily from Arkansas, Kentucky, Tennessee and Missouri. Congressional office-seekers running in Southern states also received the majority of the $37,805 channeled to Federal candidates.
- Jack Eckerd's PAC contributions have been evenly divided between Federal candidates and other allied political fund-raising groups, including NACDS and the American Retail Federation. NACDS was the largest winner, receiving $2,500 of the $6,000 spent by the PAC so far.
- Long Drug Stores, which has over $31,000 left in its campaign coffer, has paid out only $2,200 to Federal candidates and $1,000 to NACDS since the 1982 elections.
- Perry Drug Stores, the least active PAC, was organized last January and at presstime had collected only $1.
- The latest F.E.C. figures indicate that Revco's PAC has collected over $15,000 since the 1982 elections. Although political fund-raisers have contributed to 16 candidates, including Rep. Henry Hyde (R-Ill.), sponsor of the new pharmacy-crime law, and House Health and Environment Subcommittee Chairman Henry Waxman (D-Calif.), the PAC only spent $4,900.
- Rite Aid's PAC has made a total of two Federal contributions to Rep. Carroll Campbell (R-S.C.) and Rep. George Gekas (R-Pa.). However, the PAC did contribute $1,000 to the Senate Republican Caucus.
- Walgreen, one of the largest drug store industry PAC's, poured $6,200 into allied political fund-raising groups operated by NACDS and ARF. The PAC also suported Hyde and Sen. Roger Jepsen (R-Iowa), key sponsors of pharmacy-crime legislation, as well as seven other Congressional candidates.
- The PAC representing NACDS, which only contributes to Federal candidates, donated $25,500 to House and Senate office-seekers. While most of the contributions were between $250 and $500, the PAC gave influencial Senate Finance Committee member Bill Bradley (D-N.J.) $1,200, Hyde $1,000 and Rep. George Darden (D-Ga.) $1,250. Darden succeeded Rep. Larry McDonald (D-Ga.) after the Congressman was killed in the Korean airline incident last year.
- NARD's PAC, which has well over $34,000 in its campaign war chest, has contributed $18,810 to Federal candidates since the last elections. The largest donations went to Waxman ($1,000), Jepsen ($1,000) and House Energy and Commerce Committee member Thomas Luken (D-Ohio) ($1,000).
- Foremost-McKesson, one of the least active fund-raising groups, only made three contributions to Federal candidates totaling $1,500 since the 1982 elections. The PAC still has nearly $18,000 in its campaign war chest.

The most successful new product introduction in humidifier history



The 60th Anniversary Kaz DynaMist® 2000

When a 60-year-old industry leader increases its sales by almost 50% in a single year, there has to be good reason . . . **innovation.**

In 1980 Kaz re-invented the electric vaporizer with a revolutionary new technology . . . and sales surged. Then, 1983 saw the most successful new product introduction in humidifier history . . . the DynaMist® 2000.

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The superior humidifier that also removes dust, pollen, odors and tobacco smoke from the air!

Last year the DynaMist® 2000 outsold every top-of-the-line humidifier it faced by a wide margin . . . and it will do the same for you, no matter what brand or model you now promote.

And here's a big profit plus . . . sales of the replacement filter cartridges will double your initial humidifier sales dollars and profit.

- The unique two-stage DynaFilter™ cartridge removes 93% of particles as small as pollen (19 microns) from the air.
- 2½ gallon capacity. Operates 28-32 hours without refilling.
- With on-off switch and the only directional spout that varies the mist direction both horizontally and vertically . . . to any spot in the room.
- Lifetime-lubricated motor. Unbreakable translucent container.

The DynaMist® 2000 produces a superfine mist, higher efficiency and no fallout . . . and is the most powerful air cleaner on the market.

Add the DynaMist® 2000 to your humidifier mix. You'll be glad you did.

FINANCIAL

Second-quarter results at Hook end period of downward earnings

INDIANAPOLIS — Second-quarter 1984 results ended a downward earning trend that had spanned two quarters at Hook Drugs Inc. Hook's chairman and president, J. Douglas Reeves, reported that this should mark the end of depressed earnings for the chain.

"With two difficult earning periods now behind us, we anticipate steady improvement in our overall performance the remainder of the year," Reeves said. He added that the improved second-quarter figures represent efforts by the chain to control expenses.

Sales for the quarter, ended June 30, rose 10.1% to $86.6 million from $78.6 million in the same period last year. Net earnings advanced 3.5% to $1.94 million.

For the first six months of the fiscal year, sales reached $168.3 million, up 9.6% over last year. Net earnings, however, dropped 12.7% to $3.3 million from $3.8 million. Much of the earnings decline dates back to the first quarter, when Hook Drug wrestled with some of the worst weather on record in its trade area.

Reeves said the most recent results "indicate areas in which further sales and expense control efforts are required to produce respectable increases in both sales and earnings by year's end."

He added, "While much work lies before us, it is the type of work with which every employee is familiar—and I have every confidence that 1984 will end as another fine year for the shareholder."

During the second quarter, Hook's added five new stores, bringing to 310 the number of retail units. Four of them were Hook's drug stores, the fifth a Hook's Convalescent and Home Health Care Center, the chain's 14th such unit.

Investment income cited

Bindley Western posts earnings rise

INDIANAPOLIS — Bindley Western Industries, a major drug wholesaler specializing in the distribution of ethical pharmaceuticals to drug chains, reported that earnings for the second quarter ended June 30 increased 59% to $1.3 million from $791,000 in the corresponding year-earlier period.

Sales for the quarter advanced 15% to $133.5 million from $115.7 million. Earnings per share rose to 40¢ from 36¢.

For the first six months, earnings increased 68% to $2.3 million from $1.4 million a year earlier.

Sales rose to $264.9 million from $232.7 million, and earnings per share increased to 72¢ from 62¢.

William E. Bindley, chairman, attributed the strong gains to continued improvement in gross margins, effective inventory and cost-control programs and a "significant increase in investment income generated from the working capital management system."

Adams Drug stock advances 10%

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		From 07/13/84 - 07/30/84																								
					Monthly Change		52-Week		Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																											
Adams Drug	ADG	13.88	12.13	13.50	1.25	10.20	24.88	11.00	.11	1.85	-4.54	16.67	1.74	62	F	55.3	40.0	2.4	7.8	.04	3	06-11-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	34.50	32.38	34.50	1.75	5.34	44.00	26.50	.49	.43	-2.95	-7.57	3.61	.87	Q	30.3	54.0	1.5	9.2	.64	1.9	06-20-84	7983.7	117.9	1.5	12.39	15.26	0184
Begley Drug	BGLY	15.50	14.50	15.50	1.00	6.90	22.00	14.50	.38	-.47	-1.27	64.29	1.47	1.46	N	NC	-10.0	1.4	10.6	.68	4.4	07-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	9.63	8.88	9.25	-.38	-3.90	14.50	8.88	-.39	-.10	3.85	-26.32	.53	.14	Q	33.3	23.0	3.0	16.5	.00	0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Dart Corp	DRUGA	102.00	93.00	102.00	9.00	9.68	106.00	57.00	.28	1.67	-3.67	27.05	8.80	3.37	F	62.0	101.0	5.4	11.6	.13	1	06-04-84	282.9	15.3	3.6	11.05	53.09	0184
Drug Sys	DRGS	3.75	3.25	3.38	-.38	-10.00	7.81	3.25	-.32	-1.99	3.60	-32.13	.56	-.16	F	-22.2	NC	2.1	6.0	.00	0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	22.50	20.50	20.75	-1.50	-6.74	29.38	20.50	-.29	-.74	-3.30	-17.58	1.91	.31	N	16.5	6.0	3.1	9.5	1.00	4.8	06-11-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	9.38	8.75	9.25	.13	1.37	14.50	8.38	.11	-.50	-1.84	-29.73	.60	.15	Q	31.2	56.0	2.6	14.7	.20	2.2	06-18-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	14.63	14.13	14.63	.50	3.54	20.50	10.19	.24	-.13	6.37	-39.74	.96	.31	Q	43.6	79.0	2.0	14.3	.20	1.4	06-14-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	21.25	20.00	20.00	-.75	-3.61	29.50	18.50	.30	-1.66	6.73	-24.40	2.01	.03	Q	1.6	8.0	2.7	10.6	1.00	5.0	07-09-84	320.5	8.7	1.7	2.75	10.38	1283
Longs Drg Strs	LDG	38.13	36.50	38.13	1.38	3.74	49.75	34.00	.19	-.15	-2.23	-26.38	3.43	.45	Q	14.8	11.0	3.0	11.0	1.28	3.4	05-22-84	1214.4	36.4	1.9	.00	20.32	0184
Pay N Save	PAYN	17.25	15.50	17.25	.63	3.76	28.75	14.38	-.07	2.20	-.15	11.46	2.02	.38	Q	25.1	3.0	2.5	9.1	.60	3.5	05-21-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	18.75	16.50	18.00	.25	1.41	19.88	14.00	.32	.96	-3.36	21.86	1.35	.30	Q	27.0	4.0	2.9	12.8	.34	1.9	06-18-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	15.75	14.00	14.38	-1.00	-6.50	22.38	12.38	.21	-.40	.34	-54.26	1.02	.37	Q	50.0	11.0	1.6	13.0	.24	1.7	05-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	27.00	24.13	25.38	-1.63	-6.02	37.50	24.00	-.19	.63	-1.13	-4.81	2.13	.56	N	29.7	24.0	3.7	10.4	.80	3.2	06-11-84	1792.8	66.5	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	22.25	20.75	22.00	1.00	4.76	23.44	17.50	.56	.27	1.91	-6.49	1.47	.29	Q	23.5	30.0	5.1	14.5	.41	1.9	07-13-84	1223.3	62.2	2.3	.49	7.68	0284
Thrifty Cp	TFD	15.75	14.25	15.25	-.38	-2.40	20.50	11.50	.05	.45	-2.72	-1.33	1.13	.27	N	25.7	19.0	1.9	11.6	.52	3.4	08-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	36.00	34.50	34.50	-1.00	-2.82	40.38	28.63	.18	-1.32	-.09	24.65	2.24	.57	S	29.0	34.0	2.9	13.6	.72	2.1	08-13-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	21.25	19.88	21.13	.63	3.05	32.25	19.00	-.12	1.13	1.49	-12.67	1.60	.21	N	13.2	36.0	1.4	11.7	.32	1.5	07-26-84	1452.0	20.0	1.6	1.22	9.99	0883
Durr Fillauer	DUFM	12.38	11.00	11.25	-.75	-6.25	18.50	10.25	.27	-1.01	-4.76	-9.82	.80	.05	Q	6.6	22.0	1.9	14.1	.16	1.4	05-21-84	263.2	5.0	2.3	2.03	6.80	1283
McKesson Cp	MCK	36.75	34.63	34.63	-1.63	-4.48	44.75	32.38	.22	-1.33	-.44	31.22	3.25	.04	F	1.2	1.0	1.5	10.7	2.40	6.9	05-25-84	4260.0	63.0	1.4	10.45	30.25	0384
Foxmeyer Cp	FOXM	23.50	22.00	23.00	.75	3.37	28.50	20.00	.44	-.69	4.25	-69.38	.94	1.43	N	NC	103.0	.7	16.1	.00	0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	13.50	10.50	11.63	-1.88	-13.89	21.00	10.50	-.21	1.51	7.46	-22.74	.89	.51	N	113.3	97.0	.4	12.1	.00	0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	12.75	12.25	12.75	.00	.00	18.50	11.25	.22	-.07	.92	-56.16	1.41	.48	Q	53.3	12.0	1.2	9.2	.36	2.8	06-06-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	20.75	19.75	20.50	-.50	-2.38	23.38	15.50	.06	.20	3.66	4.92	1.78	.43	F	31.8	63.0	1.8	11.5	.14	.7	07-03-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	44.00	39.50	43.50	1.63	3.88	53.38	38.25	-.10	.93	-.71	-5.27	2.86	.51	S	19.6	26.0	11.9	14.0	1.20	2.8	07-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	50.25	48.25	49.13	-.50	-1.01	55.75	43.63	-.32	-.17	-.12	3.79	4.00	.44	Q	12.0	16.0	12.9	12.0	2.64	5.4	05-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	16.25	13.88	15.13	.63	4.31	31.00	13.25	-.03	.96	-2.43	-.22	1.45	-.01	S	-.7	22.0	11.8	11.3	.33	2.2	08-31-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	25.50	25.50	25.50	.00	.00	29.13	25.00	-.13	-.47	-.44	-92.59	3.28	.33	F	11.1	16.0	10.0	7.8	1.00	3.9	06-05-84	238.2	23.9	2.5	2.35	17.84	0383
Bolar Pharm	BLR	26.88	26.00	26.50	.13	.47	31.38	17.50	-.07	-.34	-1.72	-43.15	1.15	.27	Q	30.3	53.0	19.2	22.8	.05	.2	02-10-84	25.5	4.9	4.9	.00	4.75	1283
Bristol-Myers	BMY	46.00	43.38	45.63	.75	1.67	49.38	35.75	-.16	.88	-.65	-7.26	3.00	.47	S	16.9	19.0	10.4	14.1	1.60	3.5	06-29-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	22.00	20.63	21.88	1.25	6.06	26.38	19.38	-.03	.70	-3.71	-4.09	2.37	1.81	F	323.2	[illegible]	5.7	9.2	.48	2.2	07-26-84	323.1	18.4	2.4	1.69	21.87	0384
Cooper Labs	COO	24.38	21.25	22.25	-2.00	-8.25	27.00	10.38	-.22	-.81	-5.60	38.55	NA	NA		NA	[illegible]	NA	NA	.12	5	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	14.50	11.25	12.88	-2.00	-13.45	37.25	11.25	-.69	2.55	.24	-41.26	.54	.06	F	12.5	59.0	13.4	23.8	.00	0	01-14-83	21.6	2.9	3.7	.37	3.03	0383
ICN Pharm	ICN	7.38	6.88	7.00	-.50	-6.67	12.00	4.88	-.39	-.04	-6.84	9.73	.22	-.09	Q	-28.1	43.0	5.1	30.4	.00	0	00-00-00	37.0	1.9	4.3	.20	4.34	1183
Key Pharm	KPH	14.63	12.00	13.88	1.00	7.77	25.69	10.63	.24	3.48	1.72	5.95	.51	.17	Q	44.7	83.0	[illegible]	25.2	.16	1.2	06-11-84	127.3	18.8	2.1	1.16	1.67	1283
Lilly Eli Co	LLY	59.25	53.00	54.63	-3.50	-6.02	68.38	53.00	-.48	-.20	1.31	-13.24	6.13	.96	S	17.2	12.0	[illegible]	8.4	2.90	5.3	08-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.38	2.88	2.88	-.38	-11.54	3.75	2.00	-.38	-1.46	1.04	-39.10	-.49	.28	S	NE	-110.0	-14.3	NE	.00	0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	36.13	33.00	36.00	.75	2.13	48.00	27.25	-.30	1.23	-4.90	5.66	1.24	.46	F	58.9	55.0	10.6	29.0	.40	1.1	06-14-84	226.4	24.1	2.5	.05	5.93	0683
Merck & Co	MRK	85.50	78.25	82.63	-2.13	-2.51	104.63	78.25	-.41	.48	1.04	-2.92	6.10	.58	Q	10.2	7.0	13.9	13.2	3.00	3.6	05-29-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	75.25	71.50	72.38	-2.88	-3.82	84.50	60.00	-.03	-.15	-2.24	-30.91	5.15	1.25	N	25.7	17.0	5.2	11.9	1.76	2.4	05-24-84	1509.2	78.5	1.4	8.90	32.79	0683
Mylan Labs	MYLN	29.63	28.00	29.50	.13	.43	30.25	9.16	.80	-.54	-2.47	-9.69	.60	.17	F	39.5	107.0	12.7	49.2	.08	.3	05-21-84	36.9	4.7	5.4	.31	2.28	0384
Newport Pharm	NWPH	3.88	2.75	3.88	-.25	-6.06	10.75	2.75	-.86	-1.12	3.14	-17.53	-.03	-.09	N	NE	14.0	-3.4	NE	.00	0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	32.38	29.38	31.88	1.13	3.66	44.50	29.38	-.23	1.01	.51	-1.44	2.73	.53	S	22.4	18.0	11.9	11.0	1.32	4.1	05-14-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.38	2.75	2.75	-.75	-21.43	4.75	2.75	-.55	-.85	5.01	-13.15	.10	.03	N	30.0	56.0	6.1	21.2	.05	1.8	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	14.75	12.00	13.63	-1.13	-7.63	29.38	12.00	.06	2.01	-.35	-33.71	2.40	-.29	S	-12.7	15.0	10.3	6.8	.68	5.0	05-04-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	31.00	28.75	29.13	-.38	-1.27	34.25	25.25	-.07	-.48	.49	41.50	2.02	.24	Q	13.0	11.0	8.9	14.0	1.08	3.7	08-06-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	9.75	8.88	9.00	-.88	-8.86	23.50	8.88	-.13	-.90	-9.98	12.17	.52	-.52	F	-50.0	-1.0	2.3	17.3	.32	3.6	03-14-84	171.7	4.0	2.5	4.57	10.88	0383
Searle, GD	SRL	47.50	43.88	46.38	1.13	2.49	55.88	37.50	.07	.73	.31	9.38	2.39	.18	Q	7.5	13.0	12.6	18.0	.52	1.1	05-08-84	946.0	119.0	2.4	3.62	14.85	1283
Squibb Corp	SQB	45.50	41.88	44.63	.38	.85	55.63	37.50	.14	.35	-2.53	-25.56	3.31	.38	S	12.2	11.0	9.8	12.9	1.44	3.2	05-14-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	25.63	24.00	24.88	.38	1.53	29.63	23.50	-.08	.38	.43	-14.52	2.24	.13	Q	6.0	7.0	7.2	11.0	1.16	4.7	05-01-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	44.88	39.88	44.25	1.38	3.21	61.50	37.75	.10	1.67	-3.21	9.76	4.30	.25	N	6.0	32.0	17.2	10.1	1.60	3.6	05-07-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	24.38	20.13	21.88	-2.13	-8.85	26.50	12.75	-.32	-.55	-.77	-13.43	1.65	.78	S	55.7	70.0	11.0	10.0	.40	1.8	06-11-84	149.4	16.5	3.2	.00	5.85	1183
Upjohn Co	UPJ	52.50	45.00	48.25	-5.00	-9.39	72.25	45.00	-1.36	-.09	4.21	-3.23	5.28	1.65	Q	38.7	2.0	8.1	8.2	2.56	5.3	07-02-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	30.63	28.75	30.00	.13	.42	36.75	26.38	-.14	-.51	-.10	-43.50	2.51	.50	Q	23.6	1.0	6.5	11.5	1.48	4.9	04-30-84	3108.3	200.5	1.9	7.53	17.75	1283
Zenith Labs	ZENI	15.00	13.50	14.25	-.50	-3.39	17.75	12.00	.31	.38	-6.61	34.85	.73	-.54	Q	-45.7	61.0	7.8	22.3	.00	0	00-00-00	32.1	2.5	4.6	1.12	5.12	1283

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

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Drug industry PAC's set fund-raising record

Continued from page 9

can interest in the political process, but that interest may or may not translate into PAC contributions.

Rite Aid's campaign war chest, which is 400% larger than its $2,352 coffer for the 1982 election, has grown primarily because "our employees increasingly understand the importance of getting involved in state and Federal politics," Krahuloc explained.

To help foster that understanding Rite Aid presents slide shows to its employees outlining how new laws can effect daily operations, he added.

Unlike NACDS, which only contributes to Congressional candidates, political fund-raisers at Rite Aid distribute funds to both Federal and state politicians.

At presstime Rite Aid had channeled only $1,208 to Federal candidates and $600 to state office-seekers.

However, Krahulec expects the PAC to dramatically increase its contributions as election day draws closer. Among other things, Rite Aid is considering whether to support a presidential candidate.

As of the latest F.E.C. filing, Ohio-based Revco's PAC gift of $250 to John Glenn's (D-Ohio) now-aborted campaign was the only contribution to a presidential candidate made by drug store industry.

While other industry PAC's may yet pump campaign funds into the presidential race, NACDS officials indicated that they probably will not. "We just don't have the amount of money necessary to make a difference in a presidential campaign," Kelley stated.

According to Krahulec most of Rite Aid's PAC activity will take place between August and November "as the races become more clearly defined."

Based on a *DrSN* survey of PAC reports on file with the F.E.C., this is a common strategy among drug store industry political fund-raising groups.

During the 1982 election campaign, 75% of the drug store industry PACs tracked by *DrSN* made at least 64% of their contributions during the last five months of political campaigning.

Based on the latest F.E.C. filings drug store industry PACs are still holding back on contributions until the final months of the campaign.

Overall, drug store industry PACs have made 1983 contributions totaling $98,668 to House and Senate candidates since the 1982 elections.

In addition, the PACs have channeled nearly $40,000 into state and local campaigns, as well as $19,850 into allied industry fund-raising organizations run by NACDS and NARD.

An earlier *DrSN* PAC analysis found that industry political fund-raisers gave nearly 70% of their contributions to Republican Congressmen during the 1982 races.

In sharp contrast, the latest figures—which reflect PAC payments made since the 1982 elections—show that political contributions for the 1984 race are almost evenly divided.

Specifically, the PAC's pumped 54% of their Federal contributions into Democratic campaigns.

The amount of these contributions varied greatly, ranging from as little as $100 to several thousand dollars.

Most of the contributions weighed in between $200 and $750, however, with Democrats and Republicans receiving an average of $539 each.

Where drug industry PAC money is spent

Sponsor	PAC collections for '84 campaign	On hand from '82 elections	Federal candidates	State candidates	Other industry PACs	Admin. cost	Available for '84
McKesson	$ 16,818	$ 3,299	$ 1,500	$ 0	$ 0	$ 684	$ 17,933
Jack Eckerd	40,086	26,738	3,400	0	3,500	2,623	57,301
Longs Drug Stores	28,154	17,297	2,200	0	1,000	1,249	31,002
Malone & Hyde	123,169	37,805	36,500	38,700	7,700	4,828	73,246
Perry Drug Stores	1	0	0	0	0	0	1
Revco Drug Stores	15,515	3,185	4,900	0	500	299	13,001
Rite Aid	14,481	2,741	1,208	600	850	0	14,564
Walgreens	33,919	3,313	4,650	0	6,200	1,400	24,982
Trade Associations							
NACDS	39,925	8,590	25,500	0	0	0	23,015
National Association of Retail Druggists	27,454	28,741	18,810	.0	0	3,111	34,274
Total	329,522	131,709	98,668	39,300	19,750	14,194	289,319

Special report:

PAC's and the '84 campaign

Chain PAC coffers bulging

WASHINGTON — Trade association PAC's representing the nation's prescription and over-the-counter drug manufacturers have been significantly less active than drug store industry political fund-raisers, the latest F.E.C. filings revealed.

Specifically, the Pharmaceutical Manufacturers Association PAC raised only $2,745 since the 1982 election while political fund-raisers at the Proprietary Association collected just $3,225.

In contrast, the National Association of Chain Drug Stores has nearly $40,000 in its 1984 campaign coffers and the National Association of Retail Druggist's PAC receipts for the upcoming November elections tops $27,000.

At presstime PMA political fund-raisers had contributed $1,275 to three Congressional Democrats: Senate Finance Committee member Bill Bradley (New Jersey), House Health and Environment Subcommittee member Richard Shelby (Alabama) and Rep. Edolphus Towns (New York).

At the same time, PA's PAC spent $2,850 in support of nine Federal candidates, all but one of them House members. The only Senator to receive funds from PA's PAC at presstime was Senate Labor and Human Resources Committee Chairman Orrin Hatch (R-Utah).

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PHARMACY

Top 100 Rx Product Movement Survey

Cardiovasculars dominate the field

Top 10 fastest-moving Rx's (number of scripts)

Product	Strength
1. Dyazide capsules	—
2. Tylenol tabs w/codeine	30mg
3. Tagamet tablets	300mg
4. Valium tablets	5mg
5. Darvocet-N tablets	100mg
6. Lasix tablets	40mg
7. Lanoxin tablets	0.25mg
8. Slow-K tablets	600mg
9. Lanoxin tablets	0.125mg
10. Aldomet tablets	250mg

— = nonapplicable
Source: Decision Data

Top 10 highest volume Rx's (dollar sales)

Product	Strength
1. Tagamet tablets	300mg
2. Dyazide capsules	—
3. U.D. Feldene capsules	20mg
4. Valium tablets	5mg
5. Darvocet-N tablets	100mg
6. Diabinese tablets	250mg
7. Inderal tablets	40mg
8. Motrin tablets	600mg
9. Aldomet tablets	250mg
10. Procardia capsules	10mg

— = nonapplicable
Source: Decision Data

Top 10 most profitable Rx's (gross profit dollars)

Product	Strength
1. Dyazide capsules	—
2. Tylenol tabs w/codeine	30mg
3. Tagamet tablets	300mg
4. Darvocet-N tablets	100mg
5. Valium tablets	5mg
6. Lasix tablets	40mg
7. Slow-K tablets	600mg
8. Keflex capsules	250mg
9. U.D Feldene capsules	20mg
10. Tenormin tablets	10mg

— = nonapplicable
Source: Decision Data

Cardiovascular drugs are the most productive pharmaceuticals, according to the first *Drug Store News* Top 100 Prescription Product Movement Survey.

The survey is based on rankings provided by Decision Data, a North Arlington, Tex.-based supplier of pharmaceutical marketing research.

The *Drug Store News* survey shows that cardiovascular drugs account for 26 of the 100 products ranked by number of scripts dispensed, 32 of all products ranked by dollar sales and a whopping 27 of all Top 100 products ranked by gross profit dollars.

Cardiovasculars had twice as many products in dollar sales than the nearest competitor, antiarthritic drugs, which placed 15 in the Top 100. The category almost doubled its nearest rivals in scripts dispensed and profitability.

Antibiotics, our analysis found, was the second most productive pharmaceutical category in terms of number of scripts written (16) and highest volume gross profit dollars (16).

Antiarthritics, with 15 products in the Top 100 dollar sales ranking, was second to cardiovascular drugs in that category and third in number of products in the gross profit dollar rankings.

Survey results were based on product movement data gathered in more than 2,000 retail outlets. An expanded Top 200 movement rankings is available in the April 1984 edition of *Drug Store News*'s Pharmacy Reference.

In most cases, the products that made it into our Top 100 on all three rankings were "old standbys" such as Dyazide, Tylenol w/codeine, Tagamet, Valium, etc.

Newer "specialized" medications such as calcium channel blockers have not had enough exposure yet to propel them into the highest movement rankings. But industry sources agree that the potential for these and other new specialized products is great.

At the bottom of the most productive drug category list were decongestants, victims possibly of the recent trend toward conversion of prescription products to over-the-counter status.

Cardiovasculars

Cardiovascular drugs were far and away the most productive category in all three Top 100 movement rankings.

The category accounted for 26 of all products in the Top 100 fastest moving scripts, 32 of the Top 100 highest dollar volume products and 27 of the Top 100 highest gross profit dollar products.

The category's closest competitor, antibiotics, had only 16 products in the Top 100 scripts and gross profit dollar rankings, and just 11 in the Top 100 dollar sales rankings.

Continued on page 34

PHARMACY

Top 100 Rx's (number of scripts)

Product	Strength
1. Dyazide capsules	—
2. Tylenol tabs w/codeine	30mg
3. Tagamet tablets	300mg
4. Valium tablets	5mg
5. Darvocet-N tablets	100mg
6. Lasix tablets	40mg
7. Lanoxin tablets	0.25mg
8. Slow-K tablets	600mg
9. Lanoxin tablets	0.125mg
10. Aldomet tablets	250mg
11. Dilantin capsules	100mg
12. Inderal tablets	40mg
13. Motrin tablets	400mg
14. Inderal tablets	20mg
15. Motrin tablets	600mg
16. Keflex capsules	250mg
17. Diabinese tablets	250mg
18. Lopressor tablets	50mg
19. U.D. Feldene capsules	20mg
20. Amoxil suspension 100ml	250mg
21. E.E.S. 400 Filmtabs	—
22. Inderal tablets	10mg
23. Tenormin tablets	50mg
24. Lo/Ovral Tabs 21 pk.	—
25. Ativan tablets	1mg
26. Dalmane capsules	30mg
27. Monistat-7 vaginal cream w/App.	—
28. Dimetapp elixir	—
29. Procardia capsules	20mg
30. Amoxil suspension 100ml	125mg
31. Bactrim DS tablets 28 pk.	—
32. Insulin NPH U-100 10ml	—
33. Amoxil capsules	250mg
34. Premarin tablets	1.25mg
35. Ortho-Novum tabs 1/50 21	—
36. Premarin tablets	0.625mg
37. Indocin capsules	25mg
38. Dimetapp Extentab	—
39. Keflex capsules	500mg
40. Theo-Dur tablets	300mg
41. Empirin tabs w/codeine	30mg
42. Lasix tablets	20mg
43. Valium tablets	10mg
44. Hydrodiruril tablets	50mg
45. Septra DS tablets 20 pk.	—
46. Ovral tabs 21 day 3 pk.	—
47. Ortho Novum tabs 1/25 28 pk.	—
48. Micro-K capsules	—
49. Naprosyn tablets	375mg
50. Tranxene capsules	7.5mg
51. Percodan tablets	—mg
52. Flexeril tablets	10mg
53. Theo-Dur tablets	200mg
54. Achromycin V capsules	250mg
55. Synthroid tablets	0.1mg
56. Aldoril tablets	25mg
57. Clinoril tablets	200mg
58. Lo/Ovral tabs 28 day	—
59. Corgard tablets 29 pk.	40mg
60. Timoptic 0.5% Ophth. Soln.	—
61. Ortho Novum tabs 1/35 21	—
62. Naprosyn tablets	250mg
63. U.D. Zantac tablets	150mg
64. Tylenol tabs w/codeine	60mg
65. Vicodin tablets	—
66. Synalgos DC capsules	—
67. Ortho Novum tabs 1/50 28	—
68. Parafon Forte tablets	—
69. Valium tablets	2mg
70. Hygroton tablets	50mg
71. Moduretic tablets	5/50mg
72. Librax capsules	—
73. Lomotil tablets	2.5mg
74. Fiorinal tablets	—
75. Benadryl capsules	25mg
76. U.D. Restoril capsules	30mg
77. Persantine tablets	25mg
78. E-Mycin tablets	333mg
79. Ventolin inhaler refill	—
80. Nitrostat tablets	0.4mg
81. Minipress capsules	1mg
82. Donnatal tablets	—
83. Dalmane capsules	15mg
84. E-Mycin tablets	250mg
85. Zyloprim tablets	300mg
86. Fiorinal tabs w/codeine	30mg
87. Aldactazide tablets	—
88. Phernergan w/codeine	—
89. Proventil inhaler 17gm	—
90. Omnipen capsules	250mg
91. Hydrochlorothiazide tablets	50mg
92. Ser-Ap-Es tablets	—
93. Eryc capsules	250mg
94. Xanac tablets	0.5mg
95. Benadryl capsules	50mg
96. Lopressor tablets	100mg
97. Erythocin tablets	100mg
98. Aldomet tablets	500mg
99. Pen-Vee K tablets	250mg
100. Tegretol tablets	200mg

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Cardiovasculars, of course, are so productive because of heart disease, which is the No. 1 killer in the United States today. The millions of Americans who are afflicted with this disease are heavy consumers of maintenance products.

Antibiotics, of course, do not usually generate significant refills.

Within the main category of cardiovasculars, there were seven subclassifications that made it into our Top 100 lists. Of these seven (see chart), the most productive were beta blockers, diuretics and antihypertensives.

Beta blockers and diuretics were both tied for the premier spot in number of products in our Top 100 ranking of number of scripts filled. But because of their higher ticket, beta blockers registered comparably higher than diuretics both in gross profit dollars, where they were No. 1 in terms of number of products within the category (tied with antihypertensives), and in dollar sales, where they were No. 2 behind antihypertensives.

The No. 1 beta blocker in terms of number of scripts filled and highest dollar volume was Ayerst's Inderal tablets 40mg. Inderal made it into the Top 10 in overall dollar sales and came up 12th in the ranking on number of scripts filled.

The category's top diuretic was Hoechst-Roussel's Lasix 40mg. Lasix also made it into the Top 10 in terms of scripts filled, taking sixth place, while it came in 17th in the overall Top 100 ranking on dollar sales.

Calcium channel blockers, the newest entrant into the cardiovascular category, haven't developed the usage yet to thrust into any of the Top 100 rankings. But they are certain to show up in future listings as their efficacy gains them wider acceptance.

Most productive Rx drug categories (number of products in Top 100)

Product category	Rank by number of products (scripts)	Number of products in Top 100 scripts	Rank by number of products (dollar sales)	Number of products in Top 100 dollar sales	Rank by number of products (gross profit dollars)	Number of products in Top 100 gross profit dollars
Cardiovascular	1	26	1	32	1	27
Antibiotics	2	16	3	11	2	16
Analgesics	3	8	5*	4	3*	11
Antiarthritic	4*	7	2	15	3*	11
Birth control	4*	7	4*	7	—	—
Tranquilizers	5	5	4*	7	5	6
Antiulcer	6*	4	5*	4	6*	4
Antiasthmatic	6*	4	6*	3	6*	4
Hormones	6*	4	6*	3	6*	4
Decongestants	7	3	—	—	4	7
Sleeping Aids	—	—	—	—	7	3
Miscellaneous	—	15	—	15	—	7

*—denotes tie
Source: Decision Data

Antibiotics

The antibiotic/anti-infective/antifungal category was the second most productive category in terms of number of products that made it into our Top 100 rankings by number of scripts, dollar sales and gross profit dollars.

The category had 16 products in our Top 100 number of scripts written and gross profit dollar ranking, and 11 in our dollar sales ranking.

Since penicillin first introduced the category back in the 1940's, a number of new antibiotics have emerged. Penicillin today has been supplanted by a number of more potent antibiotics capable of killing a wide range of microorganisms.

Leading the pack of fast moving products that made it into our Top 100 scripts was Dista's Keflex capsules 250mg. Keflex also scored the highest on retailers' dollar sales and gross profit dollars within the category, and it was the only antibiotic to make it into our Top 10, with its eighth position in gross profit dollar sales.

Since a large proportion of antibiotics

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Top 100 Rx's (dollar sales)

Product	Strength
1. Tagamet tablets	300mg
2. Dyazide capsules	—
3. U.D. Feldene capsules	20mg
4. Valium tablets	5mg
5. Darvocet-N tablets	100mg
6. Diabinese tablets	250mg
7. Inderal tablets	40mg
8. Motrin tablets	600mg
9. Aldomet tablets	250mg
10. Procardia capsules	10mg
11. Tenormin tablets	50mg
12. Motrin tablets	400mg
13. Keflex capsules	500mg
14. Keflex capsules	250mg
15. U.D. Zantac tablets	150mg
16. Tylenol tabs w/codeine	30mg
17. Lasix tablets	40mg
18. Clinoril tablets	200mg
19. Slow-K tablets	600mg
20. Naprosyn tablets	375mg
21. Lopressor tablets	50mg
22. Inderal tablets	20mg
23. Naprosyn tablets	250mg
24. Ativan tablets	1mg
25. Valium tablets	10mg
26. Indocin capsules	25mg
27. Dilantin kapseals	100mg
28. Timoptic 0.5% Ophth. Soln.	—
29. E.E.S. 400 Filmtabs	—
30. Lo/Ovral tabs 21 pk.	—
31. Corgard tablets 28 pk.	40mg
32. Monistat vaginal cream w/App.	—
33. Bactrim DS tablets 28 pk.	—
34. Inderal tablets	10mg
35. Aldomet tablets	500mg
36. Aldoril tablets	25mg
37. Flexeril tablets	10mg
38. Insulin NPH U 100	—
39. Tolectin DS capsules	400mg
40. Lopressor tablets	100mg
41. Theo-Dur tablets	300mg
42. Amoxil suspension 100ml	250mg
43. Tranxene capsules	7.5mg
44. Transderm-Nitro 7 disk	5mg
45. Clinoril tablets	150mg
46. Tegretol tablets	200mg
47. Dalmane capsules	30mg
48. Septra DS tabs 20 pk.	—
49. Premarin tablets	1.25mg
50. Ceclor Pulvules	250mg
51. Tolinase tablets	250mg
52. Inderal tablets	80mg
53. Parafon Forte tablets	—
54. Ortho Novum tabs 1/50 21	—
55. Naprosyn tablets	500mg
56. Persantine tablets	25mg
57. Quinaglute Duratabs	—
58. Aldactazide tablets	—
59. Nalfon tablets	600mg
60. Persantine tablets	50mg
61. Zyloprim tablets	300mg
62. Moduretic tabs 5/50mg	—
63. Premarin tablets	.625mg
64. Vibramycin capsules	100mg
65. Ovral tabs 21 day 3 pk.	—
66. Ortho Novum tabs 1/35 28	—
67. Librax capsules	—
68. Theo-Dur tablets	200mg
69. Accutane capsules	40mg
70. Dolobid tablets	500mg
71. Vibra-Tabs	100mg
72. Hydergine Oral tablets	1mg
73. Percodan tablets	—
74. Nitro-Dur patch 10cm	—
75. Lanoxin tablets	.25mg
76. Indocin SR capsules	75mg
77. Minipress capsules	1mg
78. Xanax tablets	.5mg
79. Lo-Ovral tabs 28 day	—
80. Anaprox tablets	275mg
81. Dimetapp Extentabs	—
82. Nolvadex tablets	10mg
83. Indocin capsules	50mg
84. Ativan tablets	2mg
85. Hygroton tablets	50mg
86. Amoxil capsules	250mg
87. Ser-Ap-Es tablets	—
88. Reglan tablets	10mg
89. Lanoxin tablets	.125mg
90. Ortho Novum tabs 1/35 21	—
91. Ortho Novum tabs 1/50 28	—
92. Tylenol tabs w/codeine	60mg
93. Micro-K capsules	—
94. Minipress capsules	2mg
95. Lomotil tablets	2.5mg
96. Triavil 2-25 tablets	—
97. Persantine tablets	75mg
98. Ventolin inhaler refill	—
99. Capoten tablets	25mg
100. Catapres tablets	.1mg

Continued from page 34

are prescribed for children, it is not surprising that second and fifth best-selling antibiotics in terms of number of scripts dispensed are liquid dosages, Amoxil suspension 250mg and Amoxil suspension 125mg, respectively.

Tranquilizers

America is a stress-producing society, and one of the consequences of that fact of life is the prominence of Valium in all three of our Top 100 rankings.

Valium was the fourth most productive product on both our Top 100 fastest moving scripts and highest volume dollar rankings, and it was the fifth most productive product on our Top 100 listing of gross profit dollar producing products.

In fact, Roche's Valium accounted for half of the tranquilizers that made it into our Top 100 listing of fastest moving scripts.

All three strengths of Valium were represented: Valium 5mg was the No. 1 tranquilizer dispensed; Valium 10mg was No. 3 and Valium 2mg was No. 5.

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The fastest moving cardiovascular drugs (number of scripts)

Rank in category	Item	Rank in Top 100
1	Dyazide capsules	1
2	Lanoxin tablets 0.25mg	7
3	Slow-K tablets 600mg	8
4	Lanoxin tablets 0.125mg	9
5	Aldomet tablets 250mg	10
6	Inderal tablets 40mg	12
7	Inderal tablets 20mg	14
8	Lopressor tablets 50mg	18
9	Inderal tablets 10mg	22
10	Tenormin tablets 50mg	23
11	Procardia capsules 20mg	29
12	Lasix tablets 20mg	42
13	Hydrodiuril tablets 50mg	44
14	Micro-K capsules	48
15	Aldoril tablets 25mg	56
16	Corgard tablets 40mg 29 pk.	59

Source: Decision Data

The highest volume cardiovascular drugs (dollar sales)

Rank in category	Item	Rank in Top 100
1	Dyazide capsules	2
2	Inderal tablets 40mg	7
3	Aldomet tablets 250mg	9
4	Procardia capsules 10mg	10
5	Tenormin tablets 50mg	11
6	Lasix tablets 40mg	17
7	Slow-K tablets 600mg	19
8	Lopressor tablets 50mg	21
9	Inderal tablets 20mg	22
10	Corgard tablets 40mg 28 pk.	31
11	Inderal tablets 10mg	34
12	Aldomet tablets 500mg	35
13	Aldoril tablets 25mg	36
14	Lopressor tablets 100mg	40
15	Transderm-Nitro 5mg 7	44
16	Inderal tablets 80mg	52

Source: Decision Data

The most profitable cardiovascular drugs (gross profit dollars)

Rank in category	Item	Rank in Top 100
1	Dyazide capsules	1
2	Lasix tablets 40mg	6
3	Slow-K tablets 600mg	7
4	Tenormin tablets 50mg	10
5	Lanoxin tablets 0.25mg	14
6	Lanoxin tablets 0.125mg	15
7	Lopressor tablets 50mg	16
8	Aldomet tablets 250mg	17
9	Inderal tablets 40mg	19
10	Procardia capsules 100mg	21
11	Inderal tablets 20mg	25
12	Inderal tablets 10mg	35
13	Micro-K capsules	52
14	Lasix tablets 20mg	54
15	Corgard tablets 40mg 28 pk.	55
16	Moduretic tablets 5/50mg	57

Source: Decision Data

PHARMACY Rx

Top 100 Rx's (gross profit dollars)

Product	Strength	Product	Strength	Product	Strength
1. Dyazide capsules	—	34. Valium tablets	10mg	68. Tolectin DS capsules	400mg
2. Tylenol tabs w/codeine	30mg	35. Inderal tablets	10mg	69. Aldoril tablets	40mg
3. Tagamet tablets	300mg	36. Percodan tablets	—	70. Persantine tablets	25mg
4. Darvocet-N tablets	100mg	37. U.D. Zantac tablets	150mg	71. E-Mycin tablets	333mg
5. Valium tablets	5mg	38. Theo-Dur tablets	300mg	72. Zyloprim tablets	300mg
6. Lasix tablets	40mg	39. Amoxil capsules	250mg	73. Anaprox tablets	275mg
7. Slow-K tablets	600mg	40. Empirin tabs w/codeine	30mg	74. Dalmane capsules	15mg
8. Keflex capsules	250mg	41. Tranxene capsules	7.5mg	75. Proventil inhaler 17gm	—
9. U.D. Feldene capsules	20mg	42. Dimetapp Extentab	—	76. Hygroton tablets	50mg
10. Tenormin tablets	50mg	43. Indocin capsules	25mg	77. Nalfon capsules	600mg
11. Motrin tablets	600mg	44. Premarin tablets	0.625mg	78. Eryc capsules	250mg
12. E.E.S. 400 Filmtabs	—	45. Parafon Forte tablets	—	79. Minipress capsules	1mg
13. Motrin tablets	400mg	46. Premarin tablets	1.25mg	80. Lopressor tablets	100mg
14. Lanoxin tablets	0.25mg	47. Naprosyn tablets	250mg	81. Benadryl capsules	25mg
15. Lanoxin tablets	0.125mg	48. Theo-Dur tablets	200mg	82. Naldecon tablets	—
16. Lopressor tablets	50mg	49. Clinoral tablets	200mg	83. Librax capsules	—
17. Aldomet tablets	250mg	50. Tylenol tabs w/codeine	60mg	84. Trinalin tablets	—
18. Ativan tablets	1mg	51. Vicodin tablets	—	85. Valium tablets	2mg
19. Inderal tablets	40mg	52. Micro-K capsules	—	86. Macrodantin capsules	50mg
20. Keflex capsules	500mg	53. Synalgos DC capsules	—	87. Provera tablets	10mg
21. Procardia capsules	100mg	54. Lasix tablets	20mg	88. Phenergan w/codeine	—
22. Dalmane capsules	30mg	55. Corgard tablets 28 pk.	40mg	89. Dolobid tablets	500mg
23. Monistat-7 vaginal cream w/App.	—	56. Lomotil tablets	2.5mg	90. Reglan tablets	10mg
24. Amoxil suspension 100ml	250mg	57. Moduretic tablets	5/50mg	91. E-Mycin tablets	250mg
25. Inderal tablets	20mg	58. Timoptic 0.5% Ophth. Soln.	—	92. K-Tabs	750mg
26. Bactim DS 28 pk.	—	59. Achromycin V capsules	250mg	93. Aldomet tablets	500mg
27. Diabinese tablets	250mg	60. Fiorinal tablets w/codeine	30mg	94. Darvon Compound Pulvules	65mg
28. Dilantin kapseals	100mg	61. Fiorinal tablets	—	95. Catapres tablets	0.1mg
29. Dimetapp elixir	—	62. Hydrodiuril tablets	50mg	96. Aldactazide tablets	—
30. Naprosyn tablets	375	63. Ceclor Pulvules	250mg	97. Entex-LA tablets	—
31. Amoxil suspension 100ml	125mg	64. Ventolin inhaler refill	—	98. Omnipen capsules	250mg
32. Flexeril tablets	10mg	65. U.D. Restoril capsules	30mg	99. Persantine tablets	50mg
33. Septra DS tabs 20 pk.	—	66. Synthroid tablets	0.1mg	100. Benadryl capsules	50mg
		67. Xanax tablets	0.5mg		

Continued from page 39

Those same three sizes also made it onto our Top 100 gross profit dollar producing items listing in the first, third and sixth position, respectively. The two larger sizes also made it into dollar sales ranking within the category in the first and third positions, respectively.

Antiulcers

Before the summer of 1983, there was no question what dominated the antiulcer category. Ask any pharmacist, and the answer was always Tagamet. But that is beginning to change following the introduction of Glaxo's Zantac.

Since much of our data was compiled before Zantac began to make strong inroads, the difference in positioning in the Top 100 of Tagamet and Zantac is great. But, taking into consideration the newness of Zantac, it still ranked as the second fastest moving antiulcer drug.

Since much antiulcer medication is administered in the hospital, and Zantac was originally tested there, the unit dose (U.D.) of the product was the only item that appeared in the data.

Tagamet's strength in the marketplace is evidenced by the fact that it ranked No. 1 in dollar sales on our Top 100 chart and No. 3 in both number of scripts and gross profit dollars.

In terms of category rankings in the Top 100 listings, the antiulcer group had four products in each of our Top 100 listings for number of scripts dispensed, dollar sales and gross profit dollars. The category was fifth in terms of number of products within dollar sales and sixth for number of items ranked in number of scripts and gross profit dollars.

Continued on page 41

The fastest-moving antibiotic/anti-infective/ antifungal drugs (number of scripts)

Rank in category	Item	Rank in Top 100
1	Keflex capsules 250mg	16
2	Amoxil suspension 250mg/5ml 100ml	20
3	E.E.S. 400 Filmtabs	21
4	Monistat vaginal cream w/app.	27
5	Amoxil suspension 125mg/5ml 100ml	30
6	Bactrim DS tablets 28 pk.	31
7	Amoxil suspension 250mg	33
8	Keflex capsules 500mg	39
9	Septra DS tablets 20 pk.	45
10	Achromycin V capsules 250mg	54

Source: Decision Data

The highest volume antibiotic/anti-infective/ antifungal drugs (dollar sales)

Rank in category	Item	Rank in Top 100
1	Keflex capsules 500mg	13
2	Keflex capsules 250mg	14
3	E.E.S. 400 Filmtabs	29
4	Monistat vaginal cream w/app.	32
5	Bactrim DS tablets 28 Pk.	33
6	Amoxil suspension 250mg/5ml 100ml	42
7	Septra DS tablets 20 Pk.	48
8	Ceclor Pulvules 250mg	50
9	Vibramycin capsules 100mg	64
10	Vibra-Tabs 100mg	71
11	Amoxil capsules 250mg	86

Source: Decision Data

The most profitable antibiotic/anti-infective/ antifungal drugs (gross profit dollars)

Rank in category	Item	Rank in Top 100
1	Keflex capsules 250mg	8
2	E.E.S. 400 Filmtabs	12
3	Keflex capsules 500mg	20
4	Monistat-vaginal cream w/app	23
5	Amoxil suspension 250mg/5ml 100ml	24
6	Bactrim D.S. 28 pk.	26
7	Amoxil suspension 125mg/5ml 100ml	31
8	Septra D.S. tablets 20 pk.	33
9	Amoxil capsules 250mg	39
10	Achromycin V capsules 250mg	59
11	Ceclor Pulvules 250mg	63

Source: Decision Data

PHARMACY

The fastest-moving tranquilizer drugs (number of scripts)

Rank in category	Item	Rank in Top 100
1	Valium tablets 5mg	4
2	Ativan tablets 1mg	25
3	Valium tablets 10mg	43
4	Tranxene capsules 7.5mg	50
5	Valium tablets 2mg	69
6	Xanax tablets 0.5mg	94

Source: Decision Data

The highest volume tranquilizer drugs (dollar sales)

Rank in category	Item	Rank in Top 100
1	Valium 5mg tablets	4
2	Ativan tablets 1mg	24
3	Valium tablets 10mg	25
4	Tranxene capsules 7.5mg	43
5	Xanax tablets 0.5mg	78
6	Ativan tablets 2mg	84
7	Triavil 2-25 tablets	96

Source: Decision Data

The most profitable tranquilizer drugs (gross profit dollars)

Rank in category	Item	Rank in Top 100
1	Valium tablets 5mg	5
2	Ativan tablets 1mg	18
3	Valium tablets 10mg	34
4	Tranxene capsules 7.5mg	41
5	Xanax tablets 0.5mg	67
6	Valium tablets 2mg	85

Source: Decision Data

The most profitable antiulcer/antispasmodic/ gastric stimulant drugs (gross profit dollars)

Rank in category	Item	Rank in Top 100
1	Tagamet tablets 300mg	3
2	U.D. Zantac tablets 150mg	37
3	Librax capsules	83
4	Reglan tablets 10mg	90

Source: Decision Data

Analgesics

Analgesics had a total of 11 products in our Top 100 highest gross profit dollar rankings, making it, in conjunction with antiarthritics, the third most profitable category in *DrSN*'s survey.

Two of the category's most profitable products, Tylenol tabs with codeine 30 mg and Davrocet-N tabs 100mg made it into the Top 10 most profitable products in the Nos. 2 and 4 positions, respectively.

Tylenol was also No. 2 in number of scripts dispensed in our Top 100 listing, while Darvocet-N was fifth in both dollar sales and number of scripts.

Prices of analgesics are often less competitive than maintenance medications, which are prescribed for long periods of time. Analgesics are prescribed in smaller quantities for relatively shorter periods of time, which adds to the profitability of that category.

In terms of scripts, the analgesic category captured eight positions among the Top 100 pharmaceuticals dispensed in drug stores.

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Antiarthritics

Since its launch Feldene has enjoyed tremendous levels of acceptance by the medical community, and this success is reflected in terms of script counts, dollar sales and gross profit dollars.

The drug captured the No. 3 position in dollar sales among the Top 100 drugs sold in drug stores, thereby making Feldene 20mg the No. 1 brand among all antiarthritics. Feldene 20mg also captured the ninth position among the leading Rx products generating the greatest gross profit dollars for retailers.

Motrin tablets 600mg registered 15th place on our Top 100 chart, thereby capturing the leading spot among antiarthritic scripts dispensed. In addition to being the fastest moving antiarthritic drug, Motrin 600 placed second among antiarthritic dollar sales and gross profit dollars.

Antiarthritic products from MSD surprisingly made up half the entries in the antiarthritic groupings. These include Indocin capsules 25mg, which ranked 37th among the Top 100 scripts dispensed, Flexeril Tablets 10mg, which ranked 52nd in the Top 100 and Clinoril Tablets 200mg, which ranked 57th in the Top 100.

The antiarthritic category was fourth in terms of the number of products contributed to the three Top 100 rankings. The category had four products in the Top 100 scripts dispensed, three in the Top 100 highest gross profit dollars and two in the highest dollar sales.

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The fastest-moving antiarthritic drugs (number of scripts)

Rank in category	Item	Rank in Top 100
1	Motrin tablets 600mg	15
2	Feldene capsules 20mg	19
3	Indocin capsules 25mg	37
4	Naprosyn tablets 375mg	49
5	Flexeril tablets 10mg	52
6	Clinoril tablets 200mg	57
7	Naprosyn tablets 250mg	62

Source: Decision Data

The most profitable antiarthritic drugs (gross profit dollars)

Rank in category	Item	Rank in Top 100
1	U.D. Feldene capsules 20mg	9
2	Motrin tablets 600mg	11
3	Motrin tablets 400mg	13
4	Naprosyn tablets 375mg	30
5	Flexeril tablets 10mg	32
6	Indocin capsules 25mg	43
7	Naprosyn tablets 250mg	47

Source: Decision Data

The fastest-moving analgesic drugs (number of scripts)

Rank in category	Item	Rank in Top 100
1	Tylenol tabs w/codeine 30mg	2
2	Darvocet-N tabs 100mg	5
3	Empirin tabs w/codeine 30mg	41
4	Percodan tablets	51
5	Tylenol tabs w/codeine 60mg	64
6	Synalgos DC capsules	66
7	Fiorinal tablets	74
8	Fiorinal tablets w/codeine 30mg	86

Source: Decision Data

The most profitable analgesic drugs (gross profit dollars)

Rank in category	Item	Rank in Top 100
1	Tylenol tabs w/codeine 30mg	2
2	Darvocet-N tablets 100mg	4
3	Percodan tablets	36
4	Empirin tabs w/codeine 30mg	40
5	Tylenol tabs w/codeine 60mg	50
6	Vicodin tablets	51
7	Synalgos DC capsules	53
8	Fiorinal tabs w/codeine 30mg	60

Source: Decision Data

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Continued from page 41

Sleep Aids

The sleep aid category made it into only one dimension of *DrSN*'s Top 100 pharmaceutical product movement rankings: highest volume gross profit dollars.

The category had three products in that listing, including Dalmane caps, which ranked 22nd in terms of gross profit dollars. Dalmane caps 15mg also made the rankings in the 74th position.

Restoril caps, however, which made it into the 65th position in the listing, showed very well, partly because they have a shorter half-life. This has a strong influence on a physician's prescribing patterns.

The newer shorter-acting drugs such as Restoril and Halcion, which did not make it into our Top 100 rankings, reportedly cause fewer side-effects—like hangovers.

Continued on page 43

The most profitable sleep-aid drugs (gross profit dollars)

Rank in category	Item	Rank in Top 100
1	Dalmane capsules 30mg	22
2	U.D. Restoril capsules 30mg	65
3	Dalmane capsules 15mg	74

Source: Decision Data

PHARMACY

Decongestants/ Antihistamines

Continued from page 42

Decongestants and antihistamines propelled only three products into *DrSN*'s Top 100 products by number of scripts dispensed, but they managed to place seven products into our Top 100 listing of products ranked by highest gross profit dollars.

All three of the products that made it to our Top 100 scripts dispensed list also made it into most profitable. These were Benadryl capsules 25mg, Phenergan expectorant with codeine and Benadryl capsules 50mg.

The fastest moving antiasthmatic drugs (number of scripts)

Rank in category	Item	Rank in Top 100
1	Theo-Dur tablets 300mg	40
2	Theo-Dur tablets 200mg	53
3	Ventolin inhaler refill	79
4	Proventil inhaler 17gm	89

Source: Decision Data

The most profitable antiasthmatic drugs (gross profit dollars)

Rank in category	Item	Rank in Top 100
1	Theo-Dur tablets 300mg	38
2	Theo-Dur tablets 200mg	48
3	Ventolin inhaler refill	64
4	Proventil inhaler 17gm	75

Source: Decision Data

Antiasthmatics

The antiasthmatic category tied with antiulcers and hormones in terms of total number of products present in *DrSN*'s Top 100 rankings for fastest moving and most profitable

Continued on page 44

The fastest-moving decongestant/ antitussive/ antihistamine drugs (number of scripts)

Rank in category	Item	Rank in Top 100
1	Benadryl capsules 25mg	75
2	Phenergan w/codeine	88
3	Benadryl capsules 50mg	95

Source: Decision Data

The most profitable decongestant/ antitussive antihistamine drugs (gross profit dollars)

Rank in category	Item	Rank in Top 100
1	Dimetapp elixir	29
2	Dimetapp Extentabs	42
3	Benadryl capsules 25mg	81
4	Naldecon tablets	82
5	Trinalin tablets	84
6	Phenergan w/codeine	88
7	Benadryl capsules 50mg	100

Source: Decision Data

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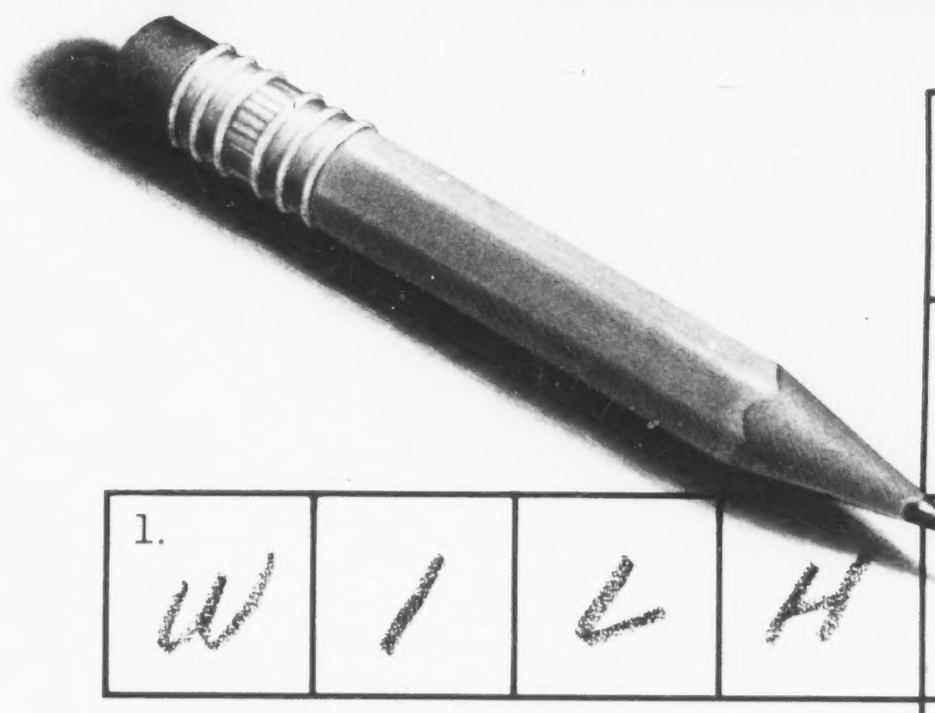

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PHARMACY

Continued from page 43

Antiasthmatics had four products in each group, compared with the category leader, cardiovasculars, which had 26 in number of scripts dispensed and 27 in highest gross profit dollars.

Antiasthmatics and hormones also tied for sixth place for the number of products within the dollar sales ranking, with three each.

Theo-Dur tablets in the 300mg and 200mg size, respectively, were the category leaders, taking first and second place within the category's own ranking on all three listings.

Birth control

Birth control pills have always been the target of criticism from church groups, consumer groups and even physicians, but despite all the negativism, these products managed to rank as the fourth best-selling category in terms of number of scripts dispensed.

Birth control pills captured seven of the slots in both the Top 100 scripts dispensed listing and the Top 100 dollar sales listing. Because of the intense price competition within this category, however, birth control pills did not make it into *DrSN*'s gross profit dollar rankings.

Compared with all other prescription products, Wyeth's Lo/Ovral tablets ranked 30th in overall dollar sales and 24th in number of scripts dispensed.

The category is dominated by Ortho Pharmaceuticals and by Wyeth. These were the only two marketers of birth control products to make the Top 100 listings.

Hormones

The hormone category was in sixth place in terms of number of products in all three of *DrSN*'s Top 100 rankings: number of scripts dispensed (four products), dollar sales (three products) and gross profit dollars (four products).

Although it was the category leader in both dollar sales and number of scripts dispensed, Insulin NPH-V100 10ml did not make it into our profitability listing.

The most profitable hormone-replacement drugs (gross profit dollars)

Rank in category	Item	Rank in Top 100
1	Premarin tablets 0.625mg	44
2	Premarin tablets 1.25mg	46
3	Synthroid tablets 0.1mg	66
4	Provera tablets 10mg	87

Source: Decision Data

The highest volume antiasthmatic drugs (dollar sales)

Rank in category	Item	Rank in Top 100
1	Theo-Dur tablets 300mg	41
2	Theo-Dur tablets 200mg	68

Source: Decision Data

The fastest-moving birth-control pills (number of scripts)

Rank in category	Item	Rank in Top 100
1	Lo/Ovral tabs 21 pk.	24
2	Ortho Novum tabs 1/50 21	35
3	Ovral tabs 21 day 3 pk.	46
4	Ortho Novum tabs 1/25 28	47
5	Lo/Ovral tabs 28 day	58
6	Ortho Novum tabs 1/35 21	61
7	Ortho Novum tabs 1/50 28	67

Source: Decision Data

The highest volume birth-control pills (dollar sales)

Rank in category	Item	Rank in Top 100
1	Lo/Ovral tablets 21 pk.	30
2	Ortho Novum tabs 1/50 21	54
3	Ovral tabs 21 day 3 pk.	65
4	Ortho Novum tabs 1/35 28	66
5	Lo/Ovral tabs 28 day	79
6	Ortho Novum tabs 1/35 21	90
7	Ortho Novum tabs 1/50 28	91

Source: Decision Data

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PHARMACY
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Odd Lot executives taking aim at Revco

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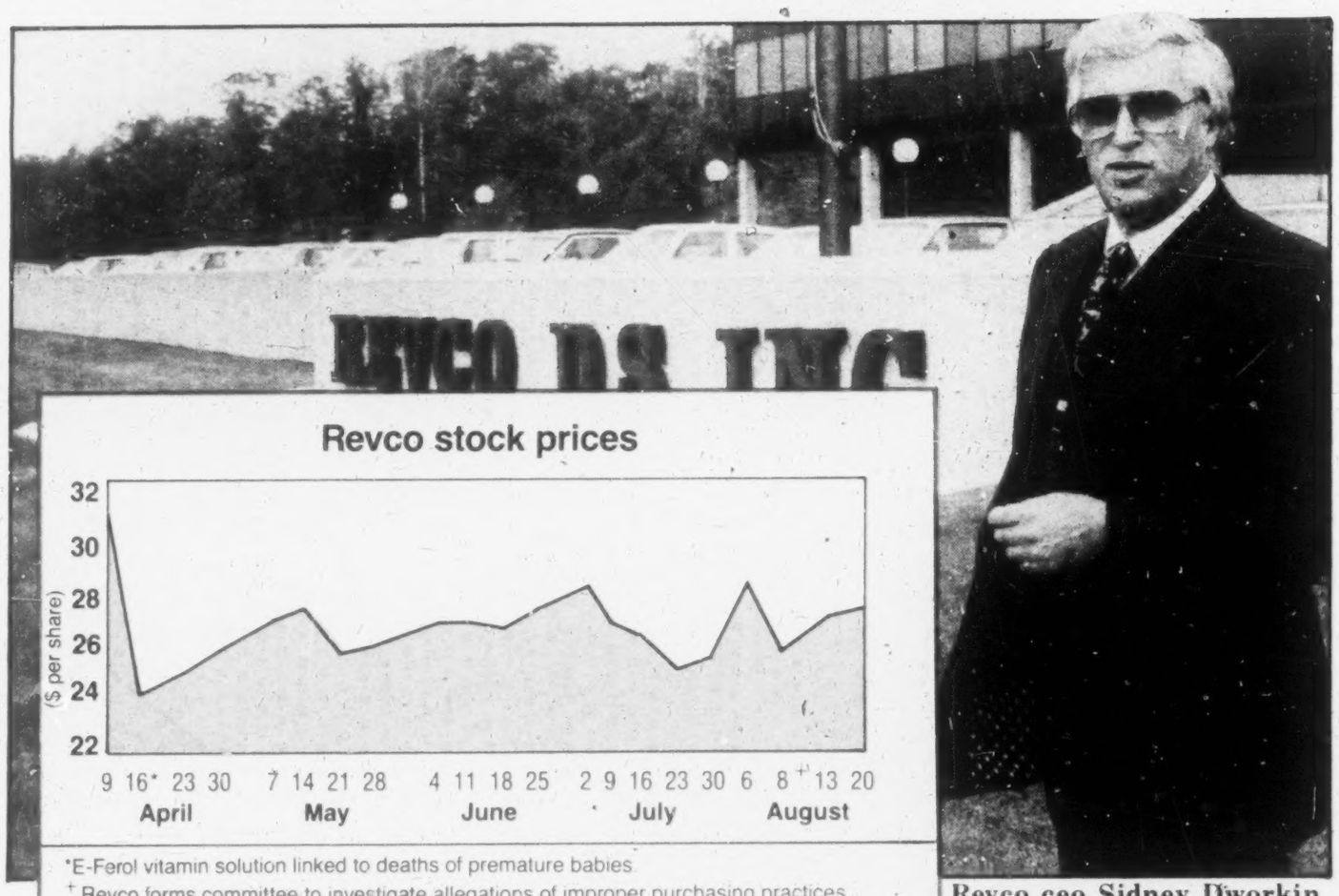
TWI... — Two top officers at Odd Lot Trading Co. who became major shareholders of Revco D.S. when they sold the company to the drug retailer in April may mount a proxy fight to gain control of the $2 billion a year drug chain.

According to a filing with the Securities and Exchange Commission, Odd Lot chairman Bernard A. Marden and Isaac Perlmutter, president of the wholesaler and retailer of closeout merchandise, indicated that they might also seek a business combination or a corporate reorganization at Revco.

At the center of the storm are allegations of possible overpurchasing leveled against the

Continued on page 122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† Revco forms committee to investigate allegations of improper purchasing practices
Source: NYSE

Revco ceo Sidney Dworkin

How a logical move threatens Revco's brass

NEW YORK — What was described as a "logical diversification move" by Sidney Dworkin, chairman, president and ceo of Revco, D.S., at the time of the Odd Lot purchase now threatens his hold on the chain that he has guided and built over the last 20 years.

Considered by many as one of the most innovative chain drug executives, Dworkin has made few mistakes in a retail drug career that began in 1956 when he was an accountant with Regal Drugs, a two-store chain that was a forerunner of the 1,760-unit Revco chain.

However, many industry sources have wondered why Dworkin entered into an agreement that left the two Odd Lot principals, Bernard Marden,

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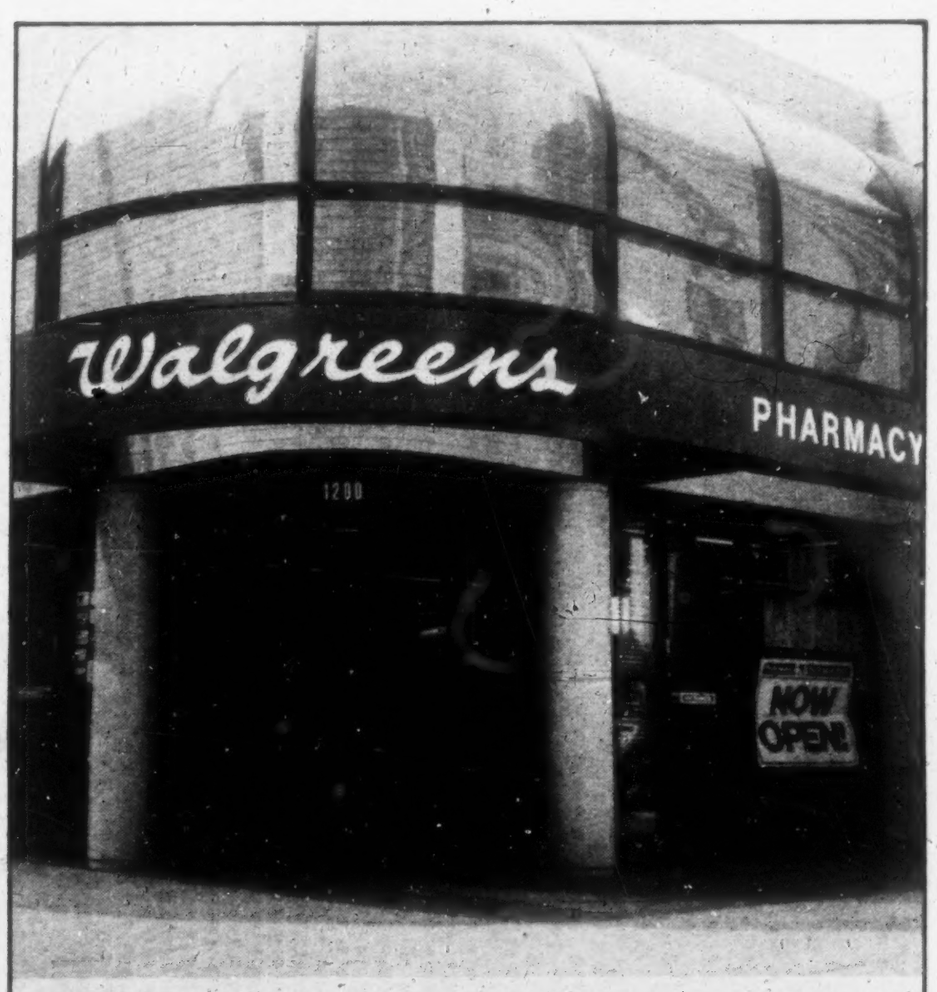

Chicago Gold Coast site of 1,000th Walgreens store

CHICAGO — Eighty-three years after Walgreens first opened its doors, the retailing giant has unwrapped its 1,000th store, a 10,800-sq.-ft. unit in a former movie theater site near Chicago's Gold Coast.

The store quietly unlocked its doors in August and will stage a gala Grand Opening on Sept. 6. At that time, Chairman Charles R. Walgreen III will cut the ribbon outside the store that will make the Deerfield, Ill.-based chain the fourth drug store retailer to break the 1,000-store barrier. Only Revco, Eckerd and Rite Aid operate more drug stores than Walgreens.

It is only logical Walgreens should choose downtown for this milestone, since Charles R. Walgreen opened his first store here in 1901. The store was purchased with a $6,000 downpayment.

Chicago's downtown has also proved to be a lucrative market for Walgreens, with some stores reportedly churning out

Continued on page 122

Optical 'superstore' opened by Eckerd; 2 more in sight

By Gail Appleson

CLEARWATER, Fla. — The Jack Eckerd Corp. last month became the first drug store chain to open an optical "superstore" offering some 10,000 frames ranging in price from $29.99 to $27,000.

The new store, called Visionworks, is in a 10,000-sq.-ft. former J. C. Penney's auto center in the Sunshine Mall here. Of the total space, about 4,500 sq. ft. is devoted to a selling floor and the remainder is being used for examination rooms and a laboratory.

Eckerd plans to open additional Visionworks centers in Charlotte, N.C., and Tampa, Fla.

Michael Bernstein, who was recently appointed vp of the 11-year-old Eckerd Optical, will oversee the operation. Currently Eckerd Optical operates 152 in-store centers in Florida, Georgia, North Carolina, Louisiana, South Carolina and Tennessee. Eckerd is the 10th largest optical retailer.

Eckerd is among the pioneers of the optical superstore concept, which was born in 1980 with Eyelab, now owned by Quaker Oats, in Paramus Mall in New Jersey. Today there are about 35 of these department store-type optical centers—most of which were built in 1983. There are also only about 12 owners of these operations, including U.S. Shoe, which owns eight superstores; Quaker Oats, seven, and Cole National, four.

Visionworks, the third megaoptical center to open in Florida, is somewhat bigger and offers more frames than the average superstore. Most of these large centers fall somewhere between 6,000 sq. ft. and 8,000 sq. ft. and usually offer 6,000 to 7,000 frames.

However, the largest of these stores, D.O.C. Eyeworld, has 22,000 sq. ft. and is also located in Florida in the Miami market. The other superstore in Florida is Optiworld in Orlando.

Like many of the other superstores, Visionworks contains a complete laboratory where the lenses are ground, edged and tinted. The lab is capable of producing new glasses in as little as two hours, and customers can even watch the technicians at

Continued on page 121

IC plans to retain Carls Drug and P&C

BOSTON — Pneumo Corp.'s two retailing divisions, Carls Drug and P&C Food Markets, will not be put on the auction block if the proposed $560 million acquisition of Pneumo by IC Industries is approved, according to representatives from both firms.

The $3.7 billion IC is expected to retain the two retailing divisions, which contribute 75% of Pneumo's yearly sales. An IC spokesman said the Chicago-based holding company will operate the food and drug stores as separate divisions.

Wendell W. Larsen, an IC sr. vp conceded that IC isn't really a food and drug company, yet said IC would keep the two divisions which contribute about 25% of Pneumo's earnings.

"We'll continue to run that [P&C and Carls] as an ongoing business, at least for the time being," Larsen said.

IC's announcement that it will keep Carls and P&C appears to contradict a recently published report in the *Wall Street Journal* quoting an unnamed IC insider as saying the divisions would be "sold to concentrate on defense work."

Although IC's primary interest in Pneumo is to team Pneu-

Continued on page 122

Late News

JACK ECKERD CORP. ended its fiscal year July 28 with record sales of $2.62 million, 12.8% higher than the previous year. Fourth-quarter sales were up 13.1% to $651 million. Eckerd Drug Co., the corporation's principal subsidiary, wound up the year with a 12% increase in sales to $2.25 billion. Audited sales and earnings will be announced in late September.

Pay Less NW links 57 stores to host computer

WILSONVILLE, Ore. — Pay Less NW, operator of 158 super-sized drug stores here, has surfaced as the first major drug chain to link a significant portion of its stores, one-third of the chain, to a host computer that can instantly capture individual product movement through front-end scanning cash registers.

Pay Less currently has 57 stores on line with in-store point-of-sale terminals and plans to implement as many more such systems "as fast as we can get them up," according to Jim Baer, vp-data processing.

The chain, which quietly effected its first such link-up about two years ago, is on the verge of setting another industry record: becoming the first drug chain to install cash registers which can operate as automatic tellers.

Pay Less hopes to implement a debit card system "imminently" in each store that is now on-line.

The system, which Pay Less will advertise as soon as it has worked out the bugs of implementation, will permit customers to charge purchases automatically to their credit cards or bank accounts.

The software that is now being written is designed so a clerk/cashier can simply punch in a credit card number and within seven seconds get an instant validation. The software will also produce a printed voucher that the customer will sign to complete the transaction.

In addition to speeding up production at the front end, Pay Less also estimates that the automatic teller service will attract new customers who will welcome the convenience of paying for their purchases without a wait or a hassle with their credit cards.

The distinction should also give the chain a marketing edge since according to management, there is currently no merchandiser, whether drug retailer, mass merchandiser or food store in Pay Less markets, that can offer such a service.

Pay Less has been able to work out an automated teller system with local banks because of the specific configurations of its computer/POS system.

Unlike Pay 'n Save and other chains that are moving to implement a computer/POS system, Pay Less has elected to keep its in-store point-of-sale computer brain on-line with the host computer at corporate headquarters.

Continued on page 121

Senate approves patent bill; House passage is likely

WASHINGTON — Congressional passage of a final Abbreviated New Drug Application/Patent Term Restoration compromise bill this month appears virtually certain.

Just hours before Congress recessed for the Republican Convention the full Senate gave final approval to an ANDA/Patent Term Restoration bill that has the support of the Pharmaceutical Manufacturers Association and the generic drug industry. It also has the backing of 11 of the 12 "dissident" brand-name drug manufacturers that strongly oppose similar legislation pending on the House side.

During the past three months the dissident manufacturers have unsuccessfully lobbied for key changes in the House bill, which cleared the Judiciary Committee last month.

In the meantime, in an 11th-hour attempt to assure Congressional passage of ANDA/Patent Term Restoration legislation this year, Sen. Orrin Hatch (R-Utah) agreed to incorporate several of the dissidents' requests into the bill that passed the Senate.

Significantly, the Senate measure also has the support of Rep. Henry Waxman (D-Calif.), who sponsored the original House bill.

Congressional aides told *Drug Store News* that Waxman's bill will be changed to reflect the new Senate compromise measure when Congress returns in September.

According to Hatch, the final Senate compromise measure does "not disturb balances essential to the bill."

Among other things, both bills would restore up to five years of patent life lost during the Food and Drug Administration regulatory review process.

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Affiliated/Assoc. sets combined H&BA show

NEW YORK — In what is billed as the largest-ever H&BA show solely for chain drug buyers, Affiliated Drug Stores and Associated Chain Drug Stores are combining efforts to present over 150 vendors on Sept. 10-12 at New York's Omni Park Central Hotel (formerly the Sheraton).

The show is historic not only because it is the first time the two associations have held a combined fall show, but also because vendors will overflow onto a third floor—instead of occupying the traditional two.

"There is nowhere under one roof that buyers can see so much [H&BA]," said Ira Shain, president of Associated Chain Drug Stores.

About the addition of new vendors and a third floor, Phil Weinstein, president of Affiliated Drug Stores, said, "I think it will make it a livelier show, a busier show."

Both associations are expecting representatives from all member chains, which will result in 85 participants from 5,000 Associated stores and 140 participants from 1,800 Affiliated stores—about the same number as last year.

On Sept. 10, Associated members will see vendors on the fourth floor, and Affiliated on the fifth. Members of the two organizations will swap floors on Sept. 11. The sixth floor will be open to both groups on all days. All three floors can be visited by any member on Sept. 12.

Among vendors who will be new to both associations in-

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Clockwise, from top center Robert Bolger, Howard Diener, Marc Dworkin, Bill Edwards, David Eisenberg, Al Towle, Rich Landers, Ira Shain, Dan Herrmann, Joseph Polastri, Phil Weinstein and Al Wilent.

Drug Store News names 12 execs to advisory board

NEW YORK — Twelve leading executives of the retail and wholesale drug industry have agreed to become members of *Drug Store News*' first board of advisers, Jay Forbes, publisher of the biweekly newspaper, announced.

"The role of the board," Forbes said, "will be to give us ongoing advice on the content and editorial direction of *Drug Store News* as well as to provide insights on the industry they know so well."

Elizabeth Parks, editor, added: "We hope that they will become kind of 'friends of the court' for our publication."

The 12 members of the board are: Robert Bolger, president, NACDS; Howard Diener, vp-purchasing, Rite Aid; Marc Dworkin, executive vp, marketing and operations, Revco; Bill Edwards, president, F&M Distributors; David Eisenberg, senior vp-marketing, Peoples Drug Stores; Daniel A. Herrmann, president, Fay's Drug Co.

Also, Richard Landers, director of visual marketing, Gray Drug Fair; Joseph E. Polastri, executive vp and gm, McKesson Drug Co.; Ira Shain, president, Associated Chain Drug Stores; Alvin Towle, chairman and ceo, Dart Drug Stores Inc.; Philip Weinstein, president and gm, Affiliated Drug Stores; Al Wilent, vp and director of merchandising, Genovese Drug Stores.

The following are brief biographical sketches of the new board members:

* * *

Robert J. Bolger, president, National Association of Chain Drug Stores. A 1943 graduate of Villanova, Bolger served in the U.S. Navy in World War II and later was director of pharmacy relations for SmithKline & French for 10 years. He became head of NACDS in 1967. Under Bolger, NACDS has become a potent force for the chains.

* * *

Marc Dworkin, executive vp, marketing and operations, Revco D.S. Inc. This year is his 15th with the world's largest drug store chain, which he joined following his graduation from Michigan State University with a B.A. in marketing. Dworkin is also a member of Revco's board of directors.

* * *

David Eisenberg, senior vp-marketing, Peoples Drug

Continued on page 121

EDITORIAL

Buying allegations may spur Revco power play

By Elizabeth Parks

There are a lot of words you can use to describe the current unsettled condition at Revco: confusing, ambiguous, provocative, curious, dramatic. Riveting, given the current state of rumors and counter rumors, is probably the most apt description.

At this point in the story, it is very hard to say exactly what is going on in the company or exactly what the outcome might be. But the situation looks like it's shaping up as a battle for control of a $2 billion organization. The possibility exists that the man who built Revco from a small, 30-unit local chain to a national institution may be iced out of the picture by partners that friends say now they warned him to be leary of.

At the heart of the controversy are allegations about "purchasing improprieties" made by two dissident stockholders, Isaac Perlmutter and Bernard "Bernie" Marden, president and chairman, respectively, of Odd-Lot Trading, a recently acquired Revco subsidiary.

Until recently Perlmutter and Marden were close friends of Sid Dworkin, Revco's president and ceo, and his two sons, Marc, executive vp of marketing and operations, and Elliot, senior vp of marketing.

Suddenly in mid-August, however, Perlmutter and Marden went public with allegations that Revco's purchasing department, under the supervision of Elliot Dworkin, was overbuying.

A special committee made up of outside directors at Revco was appointed to investigate the allegations and to examine transactions allegedly involving a number of brokers and manufacturers. However, only one manufacturer was specifically mentioned as being under investigation, Joseph DeKama, a Paramus, N.J.-based broker who is a friend of the Dworkins and who is said to have done between $40 million and $60 million in business with Revco during the past year.

No specific charge has been leveled against DeKama.

The committee will soon determine whether the allegations about "improprieties" are founded on any real basis or whether there is, as many suspect, another reason for the charge: a power play meant to embarrass the Dworkins; discredit their management; provoke a proxy fight, and permit control of the company to pass from the Dworkins to Perlmutter and Marden.

There are a number of people in the industry who agree with that analysis. "I've known Budd (Elliot's nickname) all my professional life, 20 years," says one broker, "and I've never known him to do a dishonest thing."

"Perlmutter and Marden are tough, tough businessmen," says another source. "They have 12% of the stock and they know their own power. I think they see an opportunity and they're going for the jugular."

The feeling on the street is that Perlmutter and Marden want to take over the company either by spending another $200 million to $300 million to acquire a controlling interest, probably with additional partners, or by pushing for a proxy fight and settling for a compromise position that gives them control of either the presidency or some other key management position.

Perlmutter and Marden, in fact, have informed the Securities and Exchange Commission that they might pursue such a course, depending partly on the findings of the investigation committee. They could also, of course, choose to sell their holdings to another company, to the Dworkins, or the Dworkins might sell their holdings to them.

At presstime, none of these outcomes was certain. But the general conviction on the part of everyone we interviewed was that a war was imminent and with each passing day, a compromise was becoming less and less likely.

Washington Perspective

Pharmacy crime law squabbles continuing

By Ken Rankin

The chief Congressional architect of the new Federal pharmacy-crime bill signed by President Reagan earlier this summer—House Crime Subcommittee Chairman William Hughes (D-N.J.)—will address the NACDS Pharmaceutical Conference this month in an effort to clear the smoke still surrounding the lobbying activities of various pharmacy groups that led to passage of the compromise measure.

Hughes will have his work cut out for him, thanks to the continuing accusations from officials at the National Association of Retail Druggists that independent druggists were double-crossed by most other national drug store and pharmacy groups during the fashioning of that compromise legislation.

NARD, which opposed the Hughes pharmacy-robbery bill at every corner and then took full credit for its enactment in a letter to President Reagan, is now claiming that the legislation "bears NARD's imprint throughout because the association's lobbyists worked steadfastly at every step of the legislative process to improve it."

(The key "improvement" obtained by NARD lobbyists allows Federal authorities to prosecute drug store robberies resulting in *significant*—rather than *serious*—bodily injury. Other, arguably more important changes in the Hughes bill, including a reduction in the dollar threshhold for Federal involvement from $1,000 to $500 worth of drugs, were actually made at the request of NACDS.)

But the legislative infighting between NARD and other pharmacy groups during the debate over the Hughes bill was mild in comparison to the post-enactment recriminations surfacing now as both sides attempt to claim credit for the new law.

NARD's latest enemies list, published in the association's July Journal, includes virtually all of the major industry supporters of the final new pharmacy-crime law, including APhA, NACDS and NWDA (which according to NARD "sold out the profession" by endorsing the Hughes bill).

Significantly, however, NARD's published list of "SOBs" who "caved in" by backing the pharmacy-crime legislation now also includes the Pharmaceutical Manufacturers Association, the Proprietary Association, the Drug Wholesalers Association and the National Drug Trade Conference which may have "outlived its usefulness" after refusing to oppose the Hughes bill, NARD officials said.

Even *Drug Store News* made the latest NARD enemies list for portraying the independent druggist group as "*the* stumbling block" in the way of final pharmacy-crime legislation this year.

And Hughes himself came under heavy fire from NARD officials who described the committee chairman as "mean spirited" after he publicly fingered lobbyists for the independent druggists group for repeatedly causing "dissension" among pharmacy organizations working for a new robbery bill.

Unquestionably, however, NARD's sharpest barbs are being directed at representatives of the nation's drug wholesalers—particularly NWDA executive vp William Ford.

In a letter to NWDA's board of directors, NARD Executive Committee chairman H. Joseph Schutte accused Ford and other staffers at the wholesale druggists association of "blind obstinacy" for failing to "defer to NARD's wishes" during the debate over the bill.

NWDA's "betrayal of NARD is far worse or different than that of NACDS which has never posed as a friend," Schutte charged.

APhA presses fight against ad gag order

WASHINGTON — Despite a hostile response from Justice Department antitrust officials, attorneys for the American Pharmaceutical Association will continue to press for relief from a Federal "gag" order preventing APhA from lobbying against direct-to-consumer advertising of prescription drugs.

At presstime, APhA general counsel Carl Roberts told *Drug Store News* that the pharmacy organization's latest courtroom confrontation with Government antitrusters is far from settled, and that the association will push ahead with its suit to relax the three-year-old consent decree.

At issue in the controversy: a 1981 Federal order resolving Justice Department charges that APhA's past policy of discouraging Rx price advertising represented an illegal and anticompetitive trade restraint.

That consent order—which is scheduled to remain in force until 1991—sharply restricts APhA from taking formal association action to prevent or discourage the advertising of prescription drugs, including direct-to-consumer ads by pharmaceutical manufacturers.

Key APhA leaders as well as many rank-and-file pharmacists are deeply concerned over the prospect that Food and Drug Administration officials may relax the agency's longstanding ban on Rx drug ads directed to consumers, but without a modification of the existing antitrust order the association will be severely restricted in participating in that debate.

The present battleground is a Federal court in Michigan, where APhA has filed suit for relief from those restraints.

Justice Department attorneys, however, urged the court to keep that order intact.

Correction

The transposition of two numbers resulted in the incorrect placement of the Energizer AA 4-pack on *Drug Store News'* list of the leading 100 profit producers in the July 23 issue. The Energizer AA 4-pack should have been No. 2 on the profit list, rather than No. 8.

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FINANCIAL

Adams Drug Co. reports rise in 2nd quarter earnings

PAWTUCKET, R.I. — Adams Drug Co. reported that second-quarter earnings rose 42.7% to $1.28 million from $898,000 during the same period a year ago.

Sales for the second quarter ended June 30 increased 12.4% to $81.8 million from $72.7 million in 1983. The company attributed the sales increase to the fact that a major portion of the Easter selling season occurred in the second quarter this year as compared with last year, when the Easter season fell in the chain's first quarter. Adams also cited an overall increase in volume for the strong sales results.

On per-share basis, net earnings rose 41% to 31% per share from 22% during the same period last year.

Net income through the first six months of the year were up 26% to $1.85 million from $1.46 during the first six months of 1983. Net earnings per share for the first half of the fiscal year rose 25% to 45¢ from 36¢ the previous year.

During the first six months of the year Adams said sales were up 9.1% to $156.5 million from $143.4 million in 1983.

As of June 30, Adams was operating eight fewer stores than a year before. The company said the store closings were the result of a chainwide effort to "phase out smaller, less-profitable stores and focus on opening larger stores with pharmacy departments."

The Pawtucket, R.I.-based chain also reported that its board of directors declared a 1¢ per share dividend.

Adams operates 420 stores in 10 states in the Northeast under the names Adams, Brooks, Eckerd of western Pennsylvania, Nescott and Whelan.

Quarterly sales are up 10.8% at Thrift Drug

PITTSBURGH — Sales at Thrift Drug Co. for the 13 weeks ended July 28 increased 10.8% to $141 million from $128 million in the corresponding quarter last year.

For the 26-week period ended in July, sales rose to $279 million from $256 million.

Sales in comparative stores —those open a year or more— increased 10.1% during the 13-week period and 8.6% in the 26-week period.

Thrift's parent company, J. C. Penney, reported second-quarter sales in all operations increased to over $3 billion from $2.6 billion, up 16.9%.

During the 26-week period, Penney's sales increased to $5.8 billion from $5 billion, up 16.3%.

For the 13-week period, sales in Penney's comparative stores increased 16.5%.

Penney's reported its profits for the quarter fell to $49 million, or 66¢ a share, from $55 million or 74¢ a year earlier. The company attributed the decrease to earlier markdowns in spring and summer merchandise and higher spending for promotional activities.

The company also said its life and casualty insurance divisions continued to fall short of performance a year ago.

Chain drug stocks up 11% in market surge

Name	Symbol	STOCK PRICE From 07/27/84 - 08/13/84 High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend (% per day) Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend (% per day) Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.		Change Pct	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. rate Amt.	Indicated Dvd. rate Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$		%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																												
Adams Drug	ADG	16.25	13.50	15.88	2.63	19.81	24.88	11.00	.61	1.22	3.80	19.82	1.74	.62	F	55.3	40.0	2.4	9.1	.04	.3	06-11-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	39.25	33.63	38.75	5.00	14.81	44.00	26.50	.46	-.18	-.04	17.28	3.61	.87	Q	30.3	54.0	1.5	10.4	.64	1.7	06-20-84	7983.7	117.9	1.5	12.39	15.26	0184
Begley Co	BGLY	15.50	15.50	15.50	.00	.00	22.00	14.50	.10	-.56	-8.91	.00	1.47	1.46	N	NC	-10.0	1.4	10.6	.68	4.4	07-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	11.88	9.00	11.25	2.25	25.00	14.50	8.88	.20	-2.10	4.39	-25.27	.53	.14	Q	33.3	23.0	3.0	20.1	.00	.0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Drug Sys	DRGS	4.00	3.38	3.50	.25	7.69	7.50	3.25	-.04	-3.79	1.81	-3.79	.56	-.16	F	-22.2	NC	2.1	6.3	.00	.0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	24.88	20.25	23.38	2.38	11.31	29.38	20.25	-.12	-.77	3.71	3.10	1.91	.31	N	16.5	6.0	3.1	10.7	1.00	4.3	06-11-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	11.13	9.00	10.63	1.75	19.72	14.50	8.38	.33	-.56	1.30	4.64	.60	.15	Q	31.2	56.0	2.6	16.9	.20	1.9	06-18-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	16.50	14.38	16.25	1.88	13.04	20.50	10.44	.17	-.04	2.60	5.21	.96	.31	Q	43.6	79.0	2.0	15.9	.20	1.2	06-14-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	21.75	19.50	21.75	1.25	6.10	29.50	18.50	-.18	.20	-1.13	-3.80	2.01	-.07	S	-3.5	8.0	2.7	11.4	1.00	4.6	07-09-84	320.5	8.7	1.7	2.75	10.38	1283
Longs Drg Strs	LDG	42.38	37.75	40.13	2.13	5.59	49.75	34.00	.10	-.16	.60	-15.63	3.43	.45	Q	14.8	11.0	3.0	11.5	1.28	3.2	05-22-84	1214.4	36.4	1.9	.00	20.32	0184
Pay N Save	PAYN	18.13	16.00	16.00	-1.13	-6.57	28.75	14.38	-.21	-3.05	-.09	-12.06	2.02	.38	Q	25.1	3.0	2.5	8.5	.60	3.8	05-21-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	22.00	17.50	21.00	3.63	20.86	22.00	14.00	.37	-.30	.43	-2.94	1.35	.30	Q	27.0	4.0	2.9	14.9	.34	1.6	06-18-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	17.00	14.00	16.13	1.75	12.17	22.38	12.38	.01	-.57	2.45	21.46	1.02	.37	Q	50.0	11.0	1.6	14.5	.24	1.5	05-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	29.63	24.50	27.25	1.75	6.86	37.50	24.00	-.29	-1.58	5.32	-24.71	2.54	.41	F	19.2	28.0	4.2	10.7	.80	2.9	06-11-84	2227.5	93.4	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	26.00	21.63	23.75	1.63	7.34	26.00	17.50	.51	-.57	1.94	-14.92	1.47	.29	Q	23.5	30.0	5.1	15.6	.41	1.7	07-13-84	1223.3	62.2	2.3	.49	7.68	0284
Thrifty Cp	TFD	18.13	15.13	17.88	2.75	18.18	20.50	11.50	.15	1.16	-.75	11.86	1.13	.27	N	25.7	19.0	1.9	13.5	.52	2.9	08-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	42.00	34.50	41.13	6.25	17.92	42.00	28.63	.35	-.60	.00	11.56	2.24	.61	N	29.7	33.0	2.9	15.5	.72	1.8	08-13-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																												
Bergen Bruns	BBCA	24.63	20.75	23.00	2.00	9.52	32.25	19.00	.18	-1.22	-1.26	-30.67	1.60	.21	N	13.2	36.0	1.4	12.8	.32	1.4	07-26-84	1452.0	20.0	1.6	1.22	9.99	0883
Durr Fillauer	DUFM	14.50	10.88	13.63	2.13	18.48	17.75	10.25	.15	-1.63	2.29	-4.02	.80	.05	Q	6.6	22.0	1.9	17.0	.16	1.2	05-21-84	263.2	5.0	2.3	2.03	6.30	1283
McKesson Cp	MCK	38.13	34.63	37.75	3.00	8.63	44.63	32.38	-.08	.17	-1.07	-15.38	3.25	.04	F	1.2	1.0	1.5	11.6	2.40	6.4	08-28-84	4260.0	63.0	1.4	10.45	30.25	0384
Foxmeyer Cp	FOXM	25.25	22.75	24.63	1.88	8.24	27.75	20.00	.22	-.27	1.86	-29.88	.94	1.43	N	NC	103.0	1.1	17.2	.00	.0	00-00-00	464.2	5.2	2.0	3.95	11.86	0384
Ketchum	KCH	16.75	11.63	15.50	3.50	29.17	21.00	10.50	.09	.74	4.04	-46.89	.89	.51	N	113.3	97.0	.4	16.1	.00	.0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	14.25	12.63	14.00	1.50	12.00	18.50	11.25	.01	.53	-1.27	19.88	1.41	.17	S	14.5	10.0	1.2	10.4	.36	2.6	06-06-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	24.13	20.25	23.50	3.25	16.05	24.13	15.50	.02	-.16	2.24	25.82	1.78	.49	Q	35.0	54.0	1.8	12.4	.14	.6	07-03-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																												
Abbott Labs	ABT	48.00	43.00	46.63	3.25	7.49	53.38	38.25	.13	-.51	-.95	4.39	2.86	.51	S	19.6	26.0	11.9	15.0	1.20	2.6	07-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	53.38	49.00	50.13	.75	1.52	55.75	45.00	-.30	-.96	-1.56	12.60	4.00	.44	Q	12.0	16.0	12.9	12.2	2.64	5.3	08-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	18.13	15.00	17.13	1.75	11.38	31.00	13.25	.51	-.64	-.96	-18.49	1.45	-.01	S	-.7	22.0	11.8	12.8	.33	1.9	08-31-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	26.50	25.50	26.50	1.00	3.92	29.13	25.00	-.14	-.56	-2.84	-37.50	3.28	.33	F	11.1	16.0	10.0	8.1	1.00	3.8	08-28-84	238.2	23.9	2.5	2.35	17.84	0383
Bolar Pharm	BLR	30.00	26.50	28.13	1.38	5.14	31.38	17.50	-.05	-.34	8.04	56.23	1.15	.27	Q	30.3	53.0	19.2	24.2	.05	.2	02-10-84	25.5	4.9	4.9	.00	4.76	1283
Bristol-Myers	BMY	50.38	45.63	48.88	3.00	6.54	50.38	36.63	.04	-.03	-1.49	-9.17	3.00	.47	S	16.9	19.0	10.4	15.1	1.60	3.3	06-29-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	25.50	21.63	25.50	3.75	17.24	26.38	19.38	.36	.86	1.22	.69	2.37	1.81	F	323.2	22.0	5.7	10.8	.48	1.9	07-26-84	323.1	18.4	2.4	1.69	21.87	0384
Cooper Labs	COO	23.25	20.25	22.25	-.50	-2.20	27.00	10.38	-.84	.24	-7.72	-28.93	NA	NA		NA	NA	NA	NA	.12	.5	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	15.88	12.25	14.00	1.13	8.74	37.25	11.25	-.44	-2.11	-.15	-3.24	.54	.08	Q	16.6	56.0	14.8	25.0	.00	.0	01-14-83	19.6	2.9	8.3	.28	5.42	0384
ICN Pharm	ICN	8.13	6.75	7.50	.38	5.26	11.25	4.88	-.41	-2.14	-.36	-1.50	.22	-.09	Q	-28.1	43.0	5.1	32.6	.00	.0	00-00-00	37.0	1.9	4.3	.20	4.34	1183
Key Pharm	KPH	16.50	13.13	15.50	1.25	8.77	25.69	10.63	.69	-.91	3.61	8.64	.51	.20	S	50.0	78.0	14.8	25.8	.16	1.0	09-10-84	127.3	18.8	2.1	1.16	1.67	1283
Lilly Eli Co	LLY	59.25	54.38	57.50	3.00	5.50	68.38	53.00	-.45	-.35	-2.68	-1.72	6.13	.96	S	17.2	12.0	15.1	8.8	2.90	5.0	08-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.25	2.75	3.00	.13	4.35	3.75	2.00	-.72	-1.34	2.01	-24.38	-.49	.28	S	NE	-110.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	42.25	35.25	42.00	7.13	20.43	48.00	27.25	.16	.96	-.25	31.13	1.24	.46	F	58.9	55.0	10.6	33.9	.40	1.0	06-14-84	226.4	24.1	2.5	.05	5.93	0683
Merck & Co	MRK	89.50	81.25	87.38	4.88	5.91	104.63	78.25	-.34	-.51	-2.26	11.16	6.10	.53	S	9.0	7.0	13.9	13.7	3.00	3.4	08-31-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	80.00	72.13	79.75	7.25	10.00	84.50	60.00	-.11	.33	1.98	12.39	5.15	1.25	N	25.7	17.0	5.2	13.1	1.76	2.2	05-24-84	1509.2	78.5	1.4	8.90	32.79	0683
Mylan Labs	MYLN	28.50	19.44	28.50	8.91	45.45	28.50	6.09	.99	3.27	-2.15	2.74	.40	.11	F	37.9	110.0	12.7	71.3	.03	.1	08-01-84	36.9	4.7	5.4	.21	1.52	0384
Newport Pharm	NWPH	4.25	3.50	4.00	.38	10.34	10.75	2.75	-.57	-1.40	-.60	1.16	-.03	-.09	N	NE	14.0	-3.4	NE	.00	.0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	36.50	31.63	36.25	4.13	12.84	44.50	29.38	.15	.10	1.55	-15.38	2.73	.53	S	22.4	18.0	11.9	12.5	1.32	3.6	05-14-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.50	2.75	3.25	.38	13.04	4.75	2.75	-.52	-2.16	.83	-17.67	.10	.03	N	30.0	56.0	6.1	25.0	.05	1.5	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	14.50	12.75	14.25	.75	5.56	29.38	12.00	-.43	1.92	-5.64	4.70	2.40	-.29	S	-12.7	15.0	10.3	7.2	.68	4.8	05-04-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	32.38	29.13	31.88	2.63	8.97	34.25	25.25	-.21	-.30	3.95	53.62	2.02	.28	S	15.3	10.0	8.9	15.1	1.08	3.4	08-06-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	10.38	9.00	10.38	1.25	13.70	21.50	8.88	-.35	1.38	3.08	18.66	.52	-.52	F	-50.0	-1.0	2.3	20.0	.32	3.1	03-14-84	171.7	4.0	1.9	4.83	11.14	0384
Searle, GD	SRL	50.25	44.75	49.63	2.63	5.59	55.50	37.50	.24	.93	-1.48	29.86	2.39	.18	Q	7.5	13.0	12.6	19.3	.52	1.0	08-07-84	946.0	119.0	2.4	3.62	14.85	1283
Squibb Corp	SQB	49.63	44.63	47.50	2.50	5.56	55.63	37.50	-.04	-.48	-1.81	10.69	3.31	.38	S	12.2	11.0	9.8	13.7	1.44	3.0	08-13-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	27.25	24.75	25.88	.75	2.99	29.63	23.50	-.09	-1.16	-3.23	-12.56	2.24	.15	S	6.9	7.0	7.2	11.2	1.16	4.5	08-09-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	48.50	43.50	47.25	3.25	7.39	61.50	37.75	.09	.15	-2.69	17.92	4.30	.25	N	6.0	32.0	17.2	10.8	1.60	3.4	08-13-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	24.63	19.00	23.63	1.13	5.00	26.50	12.75	-.57	.07	-1.62	-15.78	1.65	.78	S	55.7	70.0	11.0	10.8	.40	1.7	06-11-84	149.4	16.5	3.2	.00	5.85	1183
Upjohn Co	UPJ	53.25	47.50	52.75	4.00	8.21	72.25	45.00	-1.01	.43	-3.97	.41	5.28	1.59	S	35.8	3.0	8.1	8.8	2.56	4.9	07-02-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	34.25	30.00	33.25	3.00	9.92	36.75	26.88	.07	-.41	1.46	-13.01	2.51	.51	S	23.3	1.0	6.5	12.4	1.48	4.5	08-06-84	3108.3	200.5	1.9	7.53	17.75	1283
Zenith Labs	ZENI	17.25	13.25	16.75	1.75	11.67	17.75	12.00	.17	2.19	7.95	26.47	.73	-.43	S	-45.2	56.0	7.8	32.2	.00	.0	00-00-00	32.1	2.5	4.6	1.12	5.12	1283

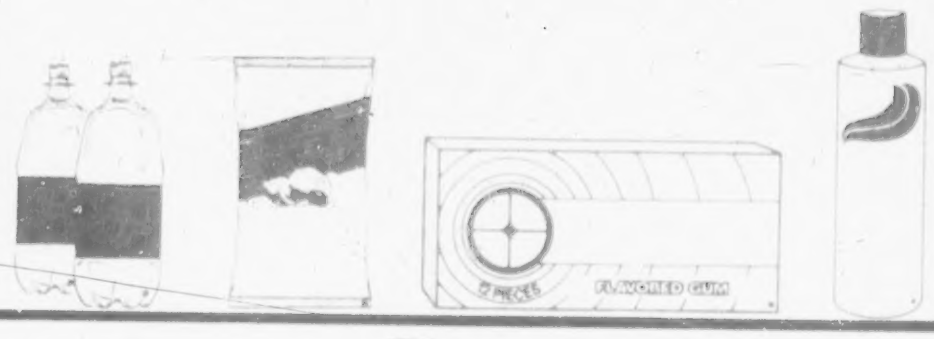
All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

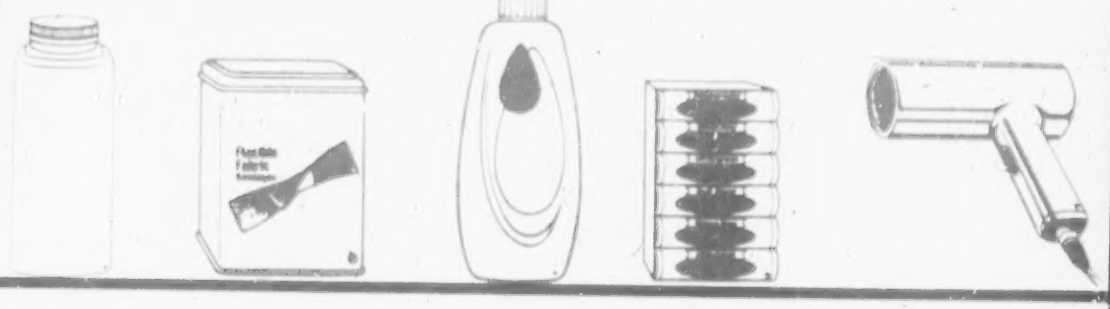
Footnotes:

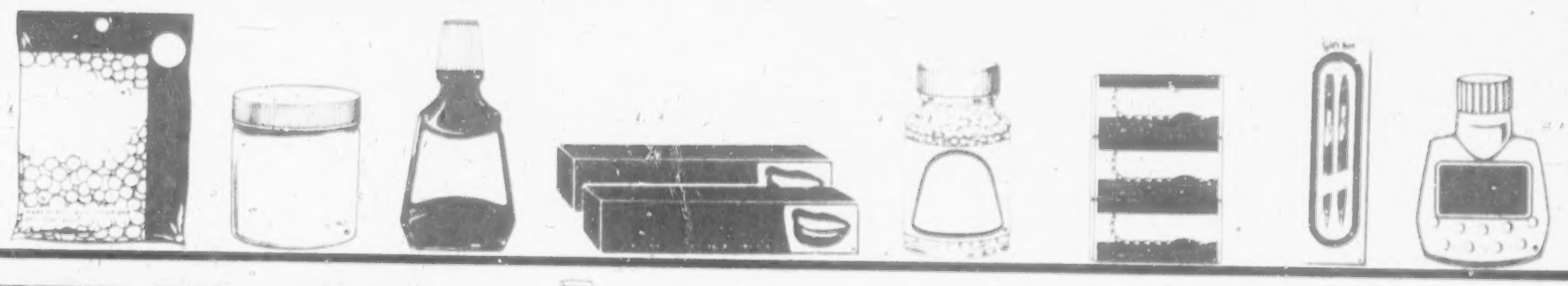
NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

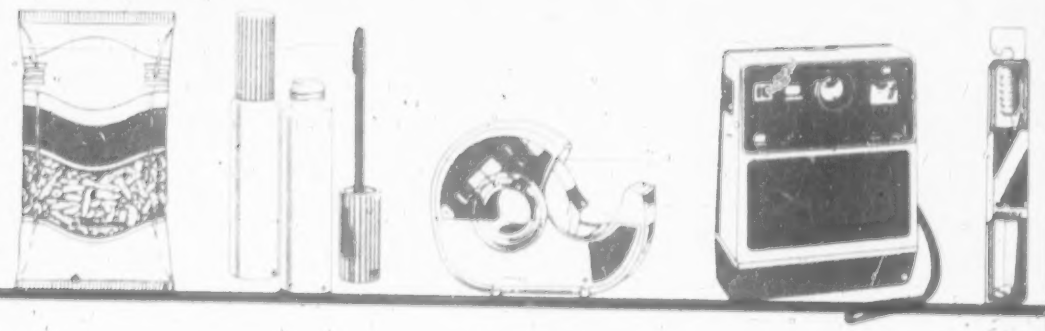
Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

NIELSEN REVIEW OF RETAIL DRUG STORE TRENDS 1984









Published in cooperation with

DRUG STORE NEWS

To Our Friends in the Drug Industry:

We would like to salute the drug industry once again this year with our 1984 Drug Review and at the same time send a special thank you to the many fine organizations from whom we receive cooperation.

In 1983, consumer dollar sales through retail drug stores increased at a 10% rate vs. 1982 while overall inflation was 3.2% over the same interval. Sales through chain drug stores continued to expand during 1983 at a faster rate than total drug store dollar volume, as chains carved out a new high of 57.4% of the retail drug business.

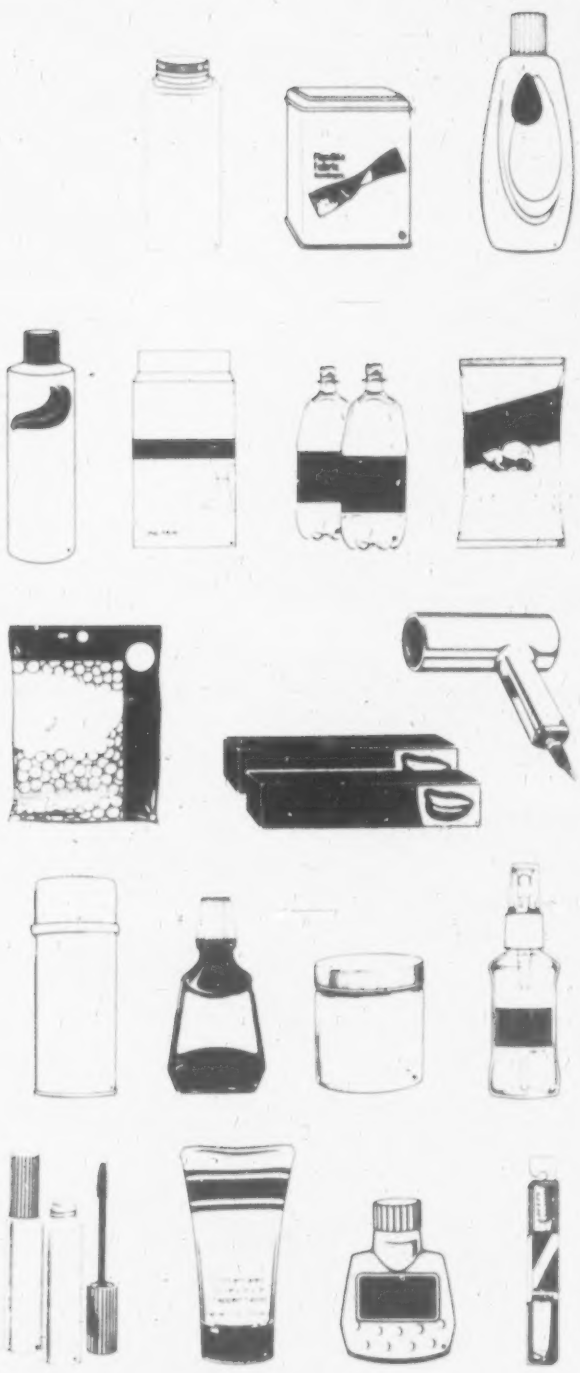
These trends and others are covered in more detail in this edition of the Nielsen Drug Review. We sincerely hope that you find this annual review both useful and interesting and once again we are grateful for the fine cooperation extended to us by the members of the drug industry.

Sincerely,

Donald R. McCurry

Donald R. McCurry
Executive Vice President
Managing Director
Marketing Research Group U.S.A.

Nielsen Marketing Research



Chapter 1

THE ECONOMIC ENVIRONMENT

During 1983, total U.S. Retail Sales reached $1.2 trillion dollars, a 9% increase over 1982. Strong gains as our economy gets back on its feet. It is important to note that much of the gain in retail sales can be considered "real" gains since prices rose very little in 1983.

Drug and proprietary stores sales accounted for 3.3% of total U.S. retail sales holding on to a position they achieved in 1982. The areas of greatest retail growth during 1983 included retail automotive sales (+21%) and the hardware & lumber sector (+18%).

All indications point to 1984 as being another year of strong growth as well. Increasing employment and low rate of price inflation continue to help fuel consumer retail sales demand, particularly for cars, housing and home additions.

PRICE INFLATION IN GENERAL IS SLOWING BUT THE COST OF MEDICAL CARE IS STILL MOVING UPWARD QUICKLY

Price inflation has definitely slowed. The Consumer Price Index for all items rose only 3% during 1983. However, there were steep gains within the medical care segment. Hospital room costs, already 6 times greater than 1967 (double the all item inflation rate), increased by another 11% from 1982 to 1983.

Prescription drug prices also rose by 11%, while over-the-counter drug prices grew by 7% from 1982.

Total U.S. retail sales

	1978	1979	1980	1981	1982	1983
Dollar sales % Change vs. year ago	+11%	+11%	+7%	+9%	+3%	+9%
Total U.S. retail sales ($billions)	$806.9	$899.4	$960.8	$1043.5	$1074.6	$1174.0

Source: Dept. of Commerce (12 months through December)

Share of retail sales by sector

	1978	1979	1980	1981	1982	1983	Dollar sales % change 1983 vs. 1982
Division of sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	+ 9%
Drug & proprietary	3.1	3.1	3.2	3.2	3.3	3.3	+ 8%
Food stores	21.7	22.1	23.1	22.8	23.2	22.1	+ 4%
Eating & drinking	8.9	9.1	9.4	9.4	9.7	9.9	+ 10%
Gasoline stations	7.5	8.4	10.1	10.3	9.6	8.8	0%
Clothing	5.0	4.8	4.8	4.8	4.8	4.6	+ 5%
Automotive	20.6	19.4	16.5	16.7	17.0	18.9	+ 21%
Furniture & appliances	4.5	4.7	4.6	4.4	4.3	4.4	+ 12%
Hardware & lumber	4.8	4.9	4.5	4.3	4.2	4.5	+ 18%
All others	23.9	23.5	23.8	24.1	23.9	23.5	+ 8%

Source: Dept. of Commerce (12 months through December)

CPI trends*

	1980	1981	1982	1983	% Change 1983 vs. 1982
Total all items	247	272	289	298	+ 3%
Medical care	266	295	329	357	+ 9%
Prescription drugs	155	173	193	214	+ 11%
Over-the-counter drugs	188	211	234	252	+ 7%
Physicians services	269	299	327	352	+ 8%
Dental services	240	263	283	303	+ 7%
Hospital room	419	481	557	620	+ 11%
Personal care	206	232	250	261	+ 4%
Food-at-home	252	270	279	282	+ 1%
Food-away-from-home	267	291	307	320	+ 4%
Housing	263	294	315	323	+ 3%
Clothing	178	187	192	196	+ 2%
Transportation	250	280	292	298	+ 2%
Entertainment	205	221	236	246	+ 4%

+ All urban consumers—Base year 1967 = 100
*Annual average 12 months through December

Source: U.S. Dept. of Labor

It is worthwhile noting that, traditionally, the cost of prescription drugs has not increased as fast as the all item consumer price index. Prices for prescription drugs are only double 1967 levels while the all item price index has tripled.

CONSUMERS ENJOYED LARGE REAL GAINS IN DISPOSABLE INCOME . . .

Low levels of inflation coupled with increases in disposable income during 1983 have combined to give consumers the largest annual increase in *real* disposable income since 1978 (+4%). A prime factor in stimulating overall retail sales.

Real Disposable Income Trends

	1977	1978	1979	1980	1981	1982	1983
Disposable income % Change vs. year ago	+9%	+12%	+12%	+11%	+12%	+6%	+7%
Dollars (Trillions)	$1.30	$1.46	$1.64	$1.84	$2.03	$2.16	$2.32
Cost of living index % Change vs. year ago	+6%	+8%	+12%	+13%	+10%	+6%	+3%
Real disposable income % Change vs. year ago	+1%	+4%	+1%	−2%	+1%	±0%	+4%

Source: U.S. Dept. of Commerce (12 months through December)

Chapter 2

RETAIL DRUG STORE SALES

During 1983, retail drug store sales reached $39.7 billion, 10% greater than 1982. Part of this increase can be attributed to the rising cost of prescriptions and part from "real" growth.

Chain drug store sales increased by 11% during 1983 and now account for 57.4% of total drug store sales. A chain is defined as four or more stores under common ownership. Continued expansion and acquisition, competitive merchandising, and aggressive inventory management are all factors contributing to the strong chain drug store growth trend we have seen over the past several years.

Independent drug store sales grew by 8% in 1983. The $16.9 billion of sales generated in independents now represents 42.6% of total drug store sales.

The strongest growth from within the chain drug store universe has come from those stores with a selling area of between 10,000-15,000 sq. ft. These types of stores now account for 26.8% of total chain drug store volume, up 12.8 points from 1978.

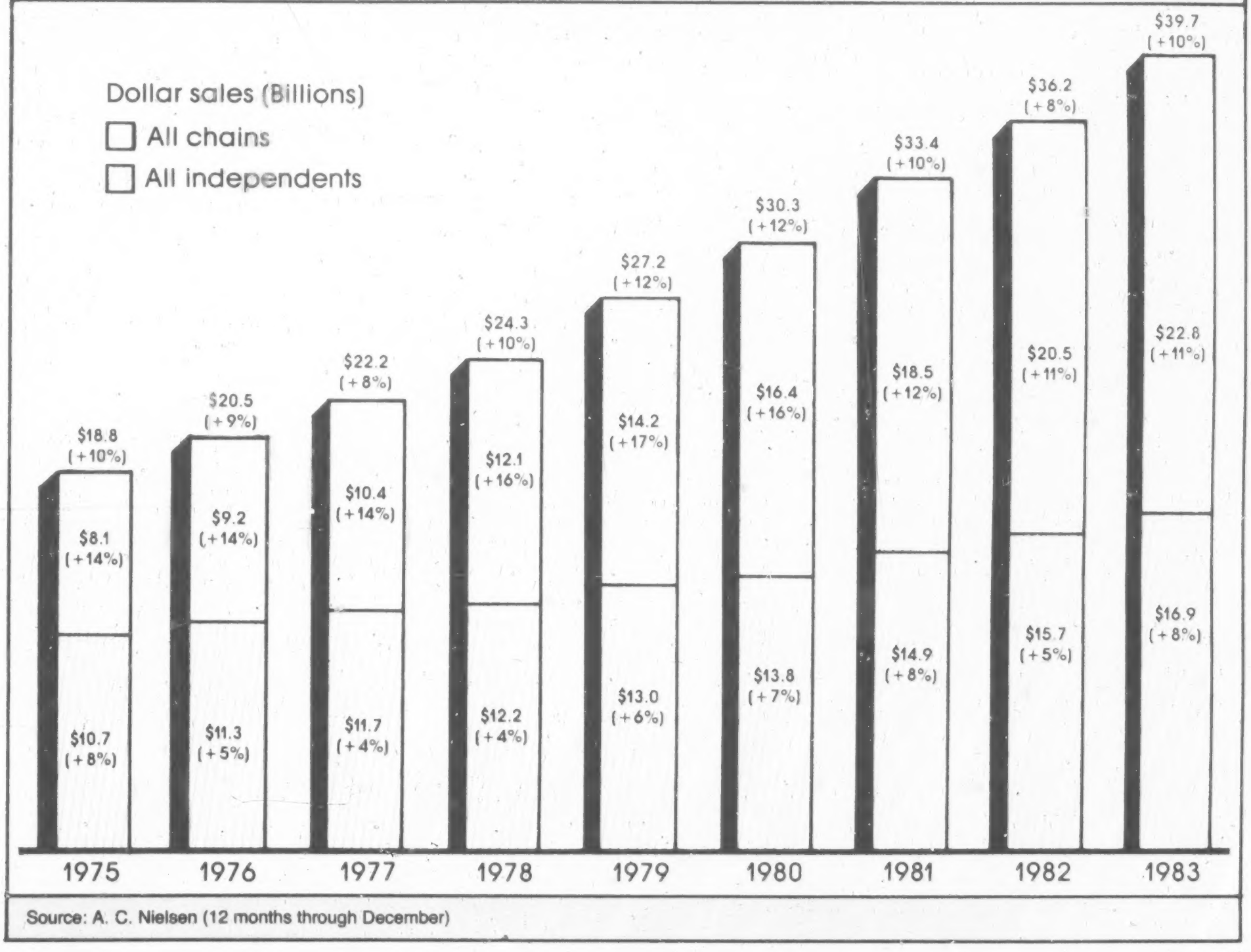
Chain drug stores under 5,000 sq. ft. and those between 5,000 to 10,000 sq. ft. are no longer accounting for the same level of sales enjoyed in 1978. The 5,000 to 10,000 sq. ft. stores still account for the largest portion of chain drug sales, 38.7%, but their share has declined six points since 1978. The very large chain stores, with over 15,000 of of selling area, have also declined slightly in importance since 1978, dropping 1.1 points to a 10% share in 1983.

DRUG STORE SALES INCREASE UNIFORM ACROSS U.S. . . .

During 1983, drug store sales growth by geographic area did not vary much from the U.S. average increase of 10%; with the exception of Metro New York where sales increased only 6% over 1982.

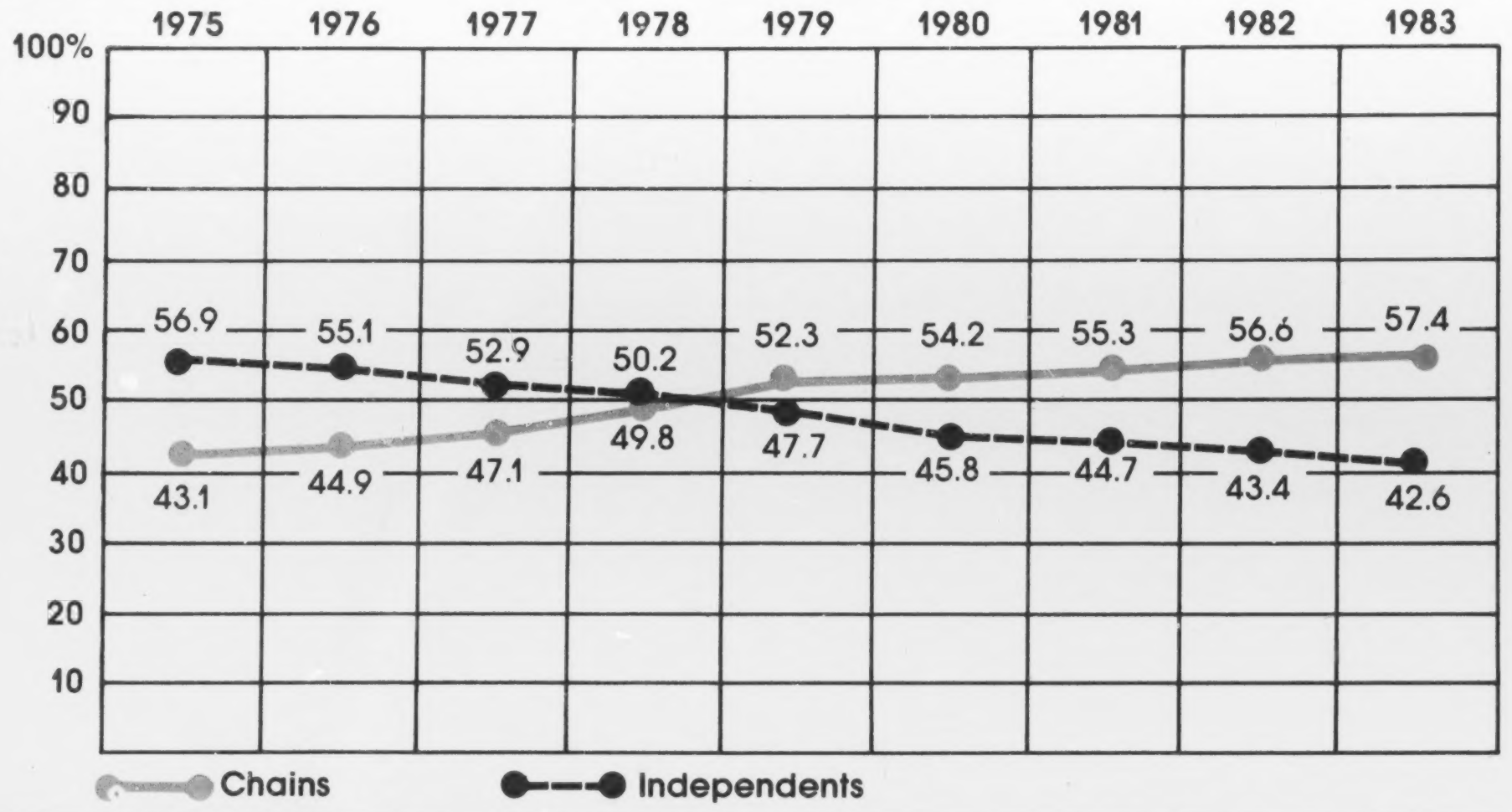
Drug chains, whose overall sales increased 11% over a year ago, either ther held or increased their importance in all Nielsen Territories. This is true even in Metro Los Angeles and the Remaining Pacific areas of the country, where they already dominate the market, and account for almost three out of every four dollars spent in drug outlets.

Total retail drug sales
(Chain stores vs. independents)



Source: A. C. Nielsen (12 months through December)

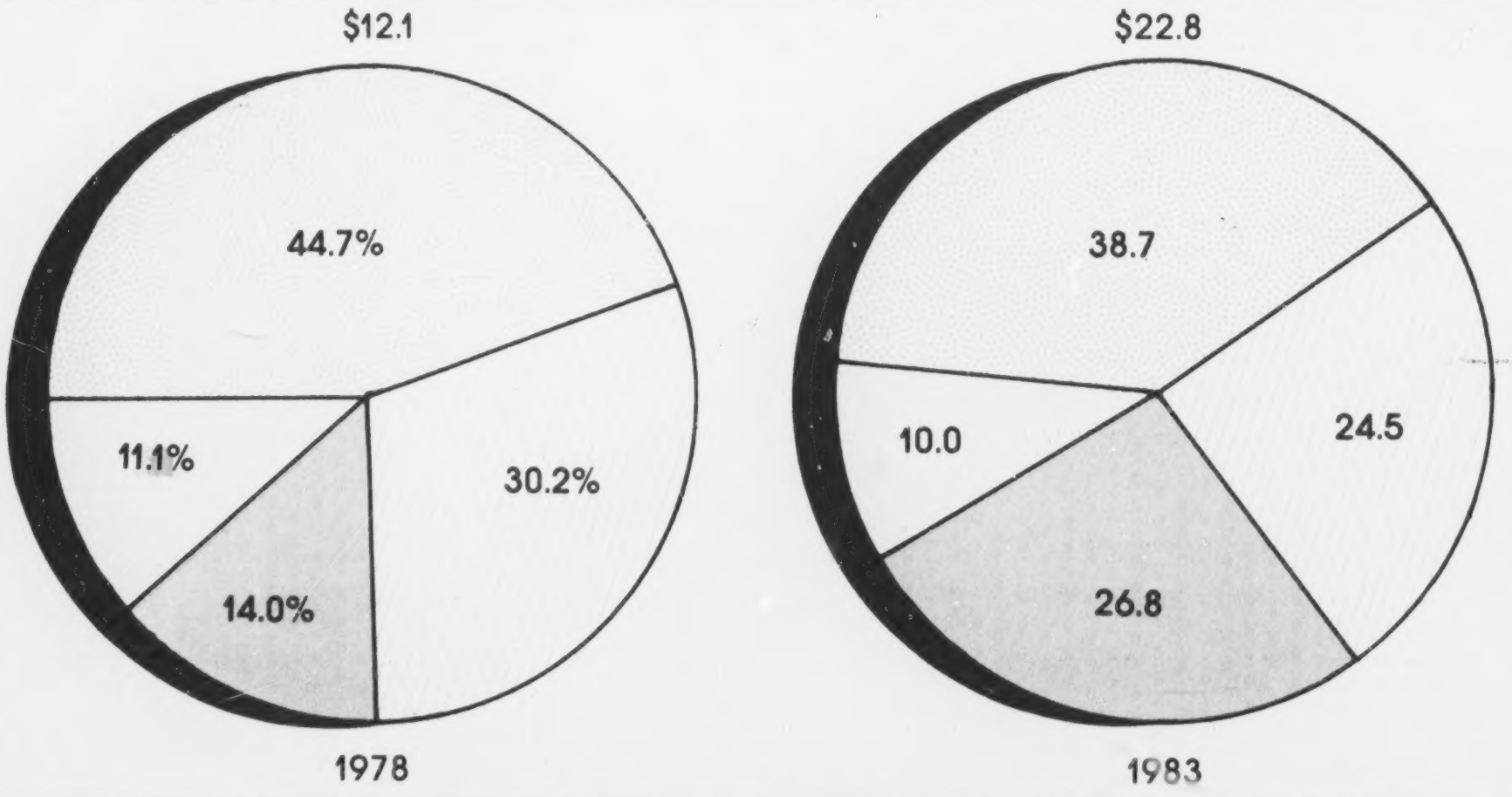
Market share trends for retail drug stores (chains vs. independents)



Source: A. C. Nielsen (12 months through December)

Share of chain drug store sales by store size

Dollar all commodity volume sales (billions)



Total chain drug Division of sales by size

- ☐ Under 5,000 sq. ft.
- ☐ 5,000-10,000 sq. ft.
- ☐ 10,000-15,000 sq. ft.
- ☐ Over 15,000 sq. ft.

Source: A. C. Nielsen (12 months through December)

The ten Nielsen territories

Total retail drug strore sales by Nielsen territory

	1983 Total drug store dollar sales (billions)	Market importance to total U.S.	Per cent change vs. year ago (dollar sales)
Total U.S.	$39.7	100.0%	+ 10%
New England	2.0	5.1	+ 11
New York	1.9	4.9	+ 6
Mid-Atlantic	4.4	11.2	+ 10
East Central	5.7	14.4	+ 9
Chicago	1.7	4.3	+ 10
West Central	4.6	11.7	+ 9
Southeast	6.7	16.9	+ 9
Southwest	4.1	10.4	+ 10
Los Angeles	2.3	5.8	+ 9
Remaining Pacific	6.1	15.4	+ 11

Chain drug share of drug store sales by Nielsen territory

	Drug chain share of sales	Change vs. year ago
Total U.S.	57.4%	+0.8
New England	47.0	+2.6
New York	33.7	+1.1
Mid-Atlantic	62.7	+0.2
East Central	54.5	0
Chicago	55.8	+0.5
West Central	44.1	0
Southeast	58.4	+1.8
Southwest	53.7	+0.9
Los Angeles	74.1	+1.2
Remaining Pacific	73.4	+1.0

Source: A. C. Nielsen (12 months through December)

Chapter 3

HEALTH AND BEAUTY AIDS SALES TRENDS

HEALTH & BEAUTY AID SALES ACHIEVE 6% REAL GROWTH IN 1983 . . .

During 1983 sales of the total Nielsen 49 Health and Beauty Aid categories in drug, food and mass merchandisers combined grew by 6% on a weighted unit or "real" basis. Drug outlet real sales held better than steady actually increasing 1% over 1982. However food stores (and most combos are included here) increased unit sales 7%; while mass merchandisers realized a 12% increase in sales.

Total dollar sales in drug, food and mass merchandisers combined increased by 10%. However drug stores increased sales just 6% while food and mass merchandiser stores increased their H&BA sales by double that amount. Apparent price increases were lowest in mass merchandisers (+3%) while drug (+6%) and food (+5%) prices for the 49 categories increased at about the same rate.

NOTE: The Nielsen Health & Beauty Aid Index is currently composed of 49 selected over-the-counter toiletry, cosmetics, and remedial categories. No prescription items are included. The categories were selected based on the availability of long-term historical trend data and should not be construed as being representative of all *health & beauty aid and remedial products.*

It should also be noted that because most combo stores (a food and drug store that sells prescriptions combined) do not separate food sales from drug sales, they are usually included in our food store sample. It is Nielsen's estimate that of the reported 1983 12% dollar gain in food stores for the Nielsen 49 Health

Nielsen 49 H&BA categories total retail sales and price trends for drug, food and mass merchandise stores (% increase)

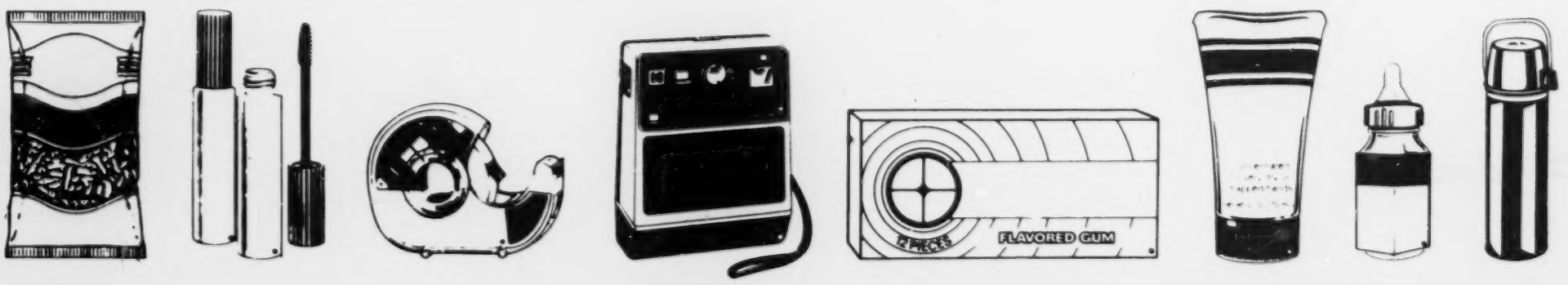
Dollar sales trends	1978	1979	1980	1981	1982	1983
3 industries combined	14%	12%	15%	15%	11%	10%
Drug stores	11	10	15	14	8	6
Food stores	14	14	17	17	12	12
Mass merchandise stores	20	10	13	14	14	15
Unit sales trends*						
3 industries combined	7%	3%	5%	5%	3%	6%
Drug stores	5	2	5	5	0	1
Food stores	6	5	5	5	4	7
Mass merchandise stores	13	2	3	4	8	12
Apparent average price trends*						
3 industries combined	7%	9%	11%	11%	8%	5%
Drug stores	7	9	9	10	8	6
Food stores	8	9	11	11	9	5
Mass merchandise stores	7	9	11	10	7	3

Source: A. C. Nielsen (12 months through December)
*Unit sales and price trends are weighted by the dollar importance of each category

Nielsen 49 H&BA categories - retail sales and price trends - drug stores (% change)

	1978	1979	1980	1981	1982	1983
Dollar sales trends						
Total 49 H&BA	**11%**	**10%**	**15%**	**14%**	**8%**	**6%**
Men's products	9	12	17	12	5	7
Skin care	8	4	17	14	3	2
Hair care	11	11	18	18	7	3
Oral hygiene	13	12	11	12	6	4
Color cosmetics	15	15	16	10	7	5
Internal medicines	13	8	13	13	10	12
External medicines	8	10	8	5	6	5
Paper goods	13	13	16	25	11	4
Unit sales trends						
Total 49 H&BA	**5%**	**2%**	**5%**	**5%**	**0%**	**1%**
Men's products	5	1	4	0	−3	2
Skin care	3	−1	6	5	−4	−2
Hair care	6	2	8	8	1	−1
Oral hygiene	5	5	2	3	−1	2
Color cosmetics	8	6	8	3	0	0
Internal medicines	4	−1	5	1	0	3
External medicines	3	2	−1	−2	−2	−2
Paper goods	5	3	4	12	4	−1
Average apparent price trends						
Total 49 H&BA	**7%**	**9%**	**9%**	**10%**	**8%**	**6%**
Men's products	4	11	13	11	9	6
Skin care	5	5	10	9	7	4
Hair care	6	10	10	11	7	4
Oral hygiene	7	7	9	9	7	2
Color cosmetics	6	9	7	7	7	6
Internal medicines	9	9	9	12	10	9
External medicines	6	8	9	8	8	8
Paper goods	8	10	12	12	6	4

Source: A. C. Nielsen (12 months through December)
*Unit sales trends are weighted by the dollar importance of each category



Nielsen 49 H&BA categories - inventory trends - drug stores (% change)

	1978	1979	1980	1981	1982	1983
Average inventory level* trends						
Total 49 H&BA	−1%	1%	1%	−1%	−3%	−1%
Men's products	−3	0	0	−5	−7	−3
Skin care	0	−6	−4	1	−1	−1
Hair care	3	0	3	3	0	3
Oral hygiene	−5	4	−2	2	−2	−2
Color cosmetics	8	7	8	−3	2	−3
Internal medicines	−4	−1	−3	−3	−5	−2
External medicines	−5	−4	−5	−4	−5	−6
Paper goods	0	4	3	−3	−1	1
Annual average inventory* stockturns						
Total 49 H&BA	3.8	3.9	4.1	4.4	4.5	4.6
Men's products	3.5	3.6	3.7	3.9	4.1	4.2
Skin care	3.2	3.4	3.9	4.0	3.9	3.9
Hair care	3.9	3.9	4.2	4.4	4.4	4.3
Oral hygiene	4.8	4.8	5.1	5.1	5.1	5.3
Color cosmetics	2.1	2.1	2.1	2.2	2.2	2.2
Internal medicines	3.9	3.9	4.2	4.4	4.7	4.9
External medicines	3.5	3.7	3.9	4.0	4.1	4.3
Paper goods	5.7	5.7	5.7	6.6	7.1	6.9
Annual average* stockturn trends						
Total 49 H&BA	6%	1%	5%	5%	3%	2%
Men's products	9	2	4	6	4	5
Skin care	3	5	11	4	−3	0
Hair care	3	2	5	5	0	−3
Oral hygiene	11	2	4	1	2	4
Color cosmetics	1	−1	0	7	−2	2
Internal medicines	9	0	8	4	6	5
External medicines	8	6	4	2	3	4
Paper goods	5	−1	1	15	6	−1

Source: A. C. Nielsen (12 months through December)
*Inventory level and stock turn trends are weighted by the dollar importance of each category

& Beauty Aid categories as a whole, approximately 2 points can be attributed to increased sales within combo stores and super stores.

INTERNAL MEDICINES ARE STRONGEST DRUG OUTLET CATEGORIES . . .

Within drug stores, the strongest category growth came from internal medicines, up 3% on a unit basis and 12% on a dollar basis. Men's products, up 7% in dollar sales and 2% in unit sales, and oral hygiene, up 4% in dollar sales and 2% in unit sales, also enjoyed strong growth in 1983.

Within the internal medicine grouping the headache remedies, and cold/sinus products categories were quite active during 1983. And within the oral hygiene grouping, mouthwash and dentifrice items are enjoying strong sales.

INVENTORY MANAGEMENT BECOMING MORE EFFICIENT . . .

"Real" or weighted average inventory levels in food, drug and mass merchandise stores combined for Nielsen's selected 49 Health & Beauty Aids increased 3% during 1983. However, drug outlet inventory levels did not rise. They fell 1% from 1983, marking the third year in a row that drug inventories have been reduced.

Some of the inventory declines in drug outlets is due to a slowing of sales as food outlets continue to account for a greater portion of HB&A purchases. On the other hand, drug retailers are also making more efficient use of their inventories by gradually increasing their rate of inventory stockturns.

DRUG OUTLET INVENTORIES REDUCED 1% AS EFFICIENCY INCREASES . . .

During 1983, drug stores reduced their "real" or weighted average inventory levels by 1% for Nielsen's select 49 Health & Beauty Aid categories. There were commeasurate increases in stockturns (inventory efficiency) as sales grew by 1%.

Since 1978, stockturns for the 49 H&BA's have increased 21% to a 1983 average of 4.6 turns per year in drug outlets.

Measuring from a year ago, stockturn rates increased in all groupings except hair care and paper goods. Inventory build ups within these two groupings were slightly greater than sales increases.

Nielsen 49 H&BA inventory trends for food, drug and mass merchandise stores (% change)

Total 49 H&BA	1978	1979	1980	1981	1982	1983
Average inventory level trends*						
3 industries combined	1%	2%	1%	2%	−1%	3%
Drug stores	−1	1	1	−1	−3	−1
Food stores	1	4	4	3	1	5
Mass merchandise stores	8	1	−1	4	0	11
Annual average inventory stockturns*						
3 industries combined	6.1	6.3	6.5	6.8	7.2	7.3
Drug stores	3.8	3.9	4.1	4.4	4.5	4.6
Food stores	9.6	10.0	10.1	10.4	10.7	11.0
Mass merchandise stores	5.5	5.6	5.9	5.9	6.4	6.5
Annual average stockturn trends*						
3 industries combined	6%	1%	3%	3%	4%	2%
Drug stores	6	1	5	5	3	2
Food stores	5	1	1	2	3	2
Mass merchandise stores	5	1	4	1	8	1

Source: A. C. Nielsen (12 months through December)
*Inventory level trends are weighted by the dollar importance of each category

In 1983, drug stores accounted for a 37.8% share of drug, food and mass merchandiser combined dollar sales for all 49 of the select Health & Beauty Aids products tracked by Nielsen. However this is 3.2 points less than in 1979.

In 1983, drug stores still accounted for a commanding (although declining) share of foot remedies sales (67%), laxatives (66%) and color cosmetics (62%).

During 1983, drug store sales volume of the total Nielsen 49 Health and Beauty Aid categories reached $7.3 billion, or approximately 18% of total drug store dollar sales.

Drug store share of select H&BA dollar sales

	1979	1983		
	Drug	Drug	Grocery	Mass Merchandiser
Total 49 H&BA	41.0%	37.8%	47.1%	15.1%
After shave lotion/colognes	61.5	59.4	15.7	24.9
Blades and razors	30.3	29.3	53.9	16.8
Shaving cream	35.1	31.9	51.6	16.6
Bath oil	51.8	50.3	33.5	16.2
Face creams and lotion	63.2	59.0	24.6	16.4
Hand and body lotions	48.7	48.2	36.4	15.5
After shampoo	39.8	38.6	43.0	18.4
Shampoo	31.2	29.0	52.5	18.5
Hair color	61.4	58.8	18.6	22.5
Hair fixatives	32.9	31.1	48.0	20.8
Men's hair preparations	39.1	38.1	46.2	15.7
Home wave kits	57.7	54.1	19.8	26.1
Mouthwash	30.4	28.3	55.6	16.0
Dentifrice	23.1	21.2	63.6	15.2
Color cosmetics	70.2	62.2	16.1	21.7
Deodorants	30.9	28.2	52.9	18.8
Feminine douches	48.7	42.5	40.7	16.8
Laxatives	69.1	65.6	27.1	7.3
Stomach remedies/antacids	51.4	49.1	41.7	9.2
Internal analgesics	40.9	38.0	52.4	9.6
Cold remedies	48.6	49.6	42.3	8.2
Sinus remedies	44.1	38.2	51.9	9.9
Foot remedies	70.5	67.0	24.0	9.0
Sanitary protection	26.9	24.9	62.2	12.9
Disposable diapers	11.2	10.4	78.3	11.3
Premoistened towelettes	24.8	18.4	62.5	19.1
Sun glasses	60.2	55.5	22.7	21.8

Source. A. C. Nielsen (12 months ending December)

Chapter 4

SPACE ALLOCATION FOR HEALTH AND BEAUTY AIDS

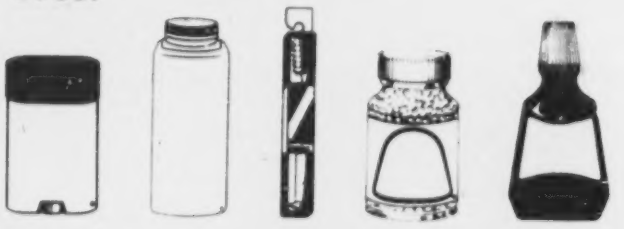
IN DRUG CHAINS HEADACHE REMEDIES GENERATE ONE OF THE HIGHEST PER FOOT PER MONTH SALES VOLUME.

The category of headache remedies generated the highest sales per linear foot in chain drug stores in 1983, averaging $43.96 per foot per month. Face creams & lotions were a close second with $42.75 in sales per foot per month, followed by disposable diapers and sanitary protection at $36.98 and $34.75 respectively.

Within drug independents, as in chains, the highest selling category was headache remedies averaging $33.63 per linear foot per month followed by face creams & lotions at $24.18. Laxatives were third with sales per linear foot per month of $21.68 and alkalizers were fourth with sales of $22.73 per linear foot per month.

The amount of linear feet of shelf space allocated in 1983 to most of the selected 49 H&BA categories being tracked by Nielsen remained relatively stable for drug stores as a whole.

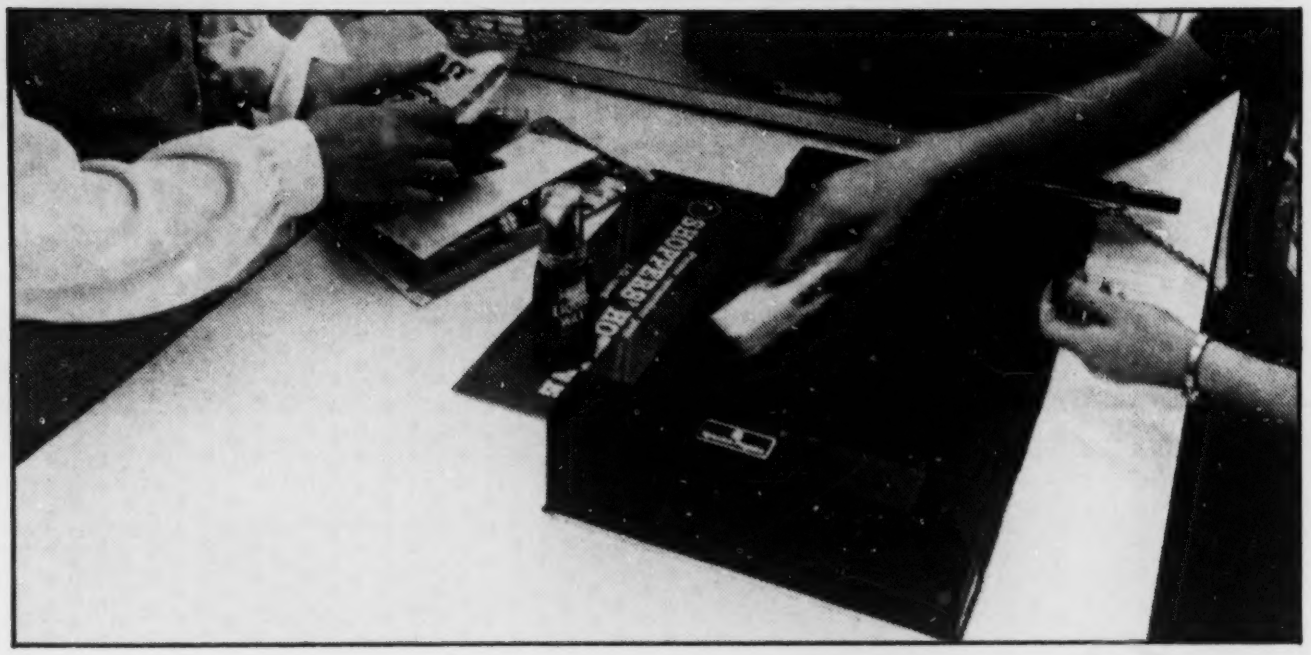
However there were some significant shifts in allocations within chain drug outlets. Cold remedies and sinus product space allocations increased 4 linear feet in 1983 over 1982 while headache remedies and OTC vitamin products both grew by 2 linear feet. In large independents, there were similar increases in these categories. All of these categories have been very active during 1983.



1983 Average dollar sales per linear foot of space allocation per month (chain and independent drug stores vs. food and mass merchandise stores)

	Drug chains	Drug Lg. independents	Food chains over $1 million	Mass merchandisers
Selected toiletries and personal care				
Shaving cream	$14.34	$ 7.07	$31.48	$22.18
Face creams and lotions	42.75	24.18	46.79	52.07
Hand lotions	23.32	14.21	32.25	29.90
Shampoos	23.20	12.94	48.07	39.11
Hair coloring	17.86	7.42	20.24	19.74
Hair preps	20.04	10.51	36.77	29.64
Home wave kits	21.85	10.93	19.17	28.12
Mouthwash	15.67	11.43	35.93	26.87
Dentifrice	22.11	12.24	62.75	22.08
Denture adhesives/cleansers	20.02	10.57	33.64	19.84
Deodorants	23.26	11.31	46.38	41.14
Selected remedial products				
Laxatives	29.76	21.68	37.91	32.63
Nasal sprays and drops	25.99	16.15	42.91	38.14
Alkalizers	29.36	22.73	53.97	30.20
Headache remedies	43.96	33.63	90.92	64.33
OTC vitamins	25.52	20.25	30.00	29.25
Acne remedies	20.79	10.66	32.89	19.94
Selected paper products				
Disposable diapers	36.98	15.81	100.24	50.88
Sanitary protection	34.75	20.45	74.63	45.92

Source: A. C. Nielsen (12 months through December)



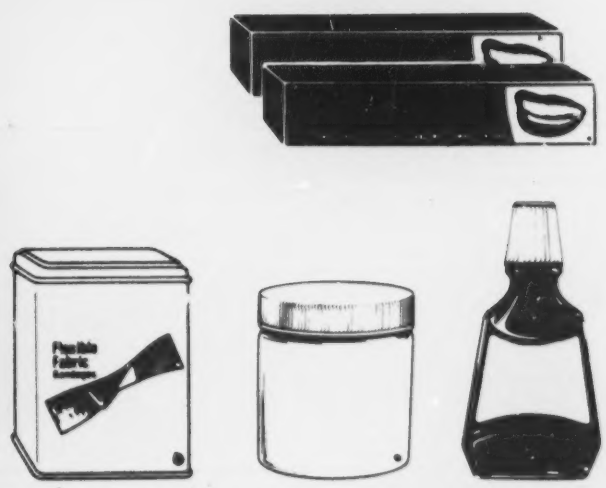
Average linear shelf space allocations for select H&BA categories (Chain and independent drug stores vs. food and mass merchandise chains '82-'83)

	Drug Chains		Drug Lg. independents		Food chains		Mass merch.	
	82	83	82	83	82	83	82	83
Selected toiletries and personal care								
After shave and cologne	31	31	28	27	5	6	19	*22
Shaving cream and aerosol	20	19	12	12	9	9	19	18
Face creams and lotions	26	25	18	18	11	12	14	*16
Hand lotions and creams	31	30	16	15	7	7	21	22
Shampoos	69	69	35	34	37	*40	65	*70
Hair coloring	68	64	35	35	14	15	50	*56
Hair fixatives	37	39	15	15	16	17	39	41
Hair preparations (including ethnic)	70	71	34	33	24	*28	56	58
Home wave kits	18	17	11	10	5	5	16	17
Mouthwash	35	32	13	13	18	19	33	30
Denture adhesives/cleaners	26	26	17	15	10	10	16	16
Dentifrices	41	42	18	18	26	*29	34	*37
Deodorants	61	60	30	29	34	*36	57	59
Selected remedial categories								
Laxatives	37	36	26	26	8	9	14	13
Nasal sprays and drops	11	11	8	8	4	4	5	5
Cough syrups	21	19	16	15	6	6	8	8
Alkalizers	38	37	26	26	11	12	18	19
Headache remedies	46	48	27	*29	19	*21	27	28
Cold remedies and sinus products	35	*39	25	*27	13	*15	18	19
OTC vitamin products	81	83	55	*59	23	*29	35	*42
Acne remedies	19	18	15	15	6	6	9	*11
Selected paper products								
Disposable diapers	35	35	12	12	42	*48	49	*60
Sanitary goods	62	60	30	31	38	*41	60	61
Selected general merchandise								
Motor oil	15	14	6	5	16	15	44	*47
Health and diet foods	31	24	14	13	65	*72	14	11

Source: A. C. Nielsen (April 30, 1982 vs. April 30, 1983)
* represent significant increase in shelf space.

1983 average annual inventory turnover (chain and independent drug stores vs. food and mass-merchandise stores)				
	Drug chains	Drug Lg. independents	Food Chains over $1 million	Mass merchandisers
Selected toiletries and personal care				
Shaving cream	6.1	3.3	10.6	7.6
Face creams and lotions	4.8	2.6	6.5	5.7
Hand lotions	5.4	2.9	7.6	5.9
Shampoos	5.0	3.1	10.0	6.8
Hair coloring	4.3	2.2	4.0	4.3
Hair preparations	4.7	2.9	7.4	5.7
Home wave kits	4.9	3.1	4.6	5.9
Mouthwash	6.6	4.1	11.5	7.7
Dentifrice	6.3	4.2	13.9	8.3
Denture adhesives/cleansers	6.9	4.0	8.7	8.4
Deodorants	6.0	3.2	9.9	7.3
Selected remedial products				
Laxatives	7.2	4.6	8.3	6.3
Nasal sprays and drops	5.9	3.4	6.7	5.4
Alkalizers	6.8	3.7	7.8	6.1
Headache remedies	7.1	4.1	9.9	6.5
OTC vitamins	4.3	3.0	5.0	4.5
Acne remedies	5.5	3.1	6.5	5.4
Selected paper products				
Disposable diapers	9.9	4.4	33.5	8.8
Sanitary protection	6.7	4.0	14.3	7.1

Source: A. C. Nielsen (12 months through December)



Chapter 5

SCANNING UPDATE

SCANNING STORE UNIVERSE

During 1983, the number of grocery stores with scanning installations grew by 26% to 8,150. These stores currently account for 35% of total food store dollar sales volume. We project that within three years, the number of scanner equipped food stores will increase by an additional 55% and that these stores will account for 50% of total food store sales.

By December 1983, scanner equipped supermarkets accounted for 69% of total food store sales in Denver, the major market with highest scanner development. Closely following are Los Angeles (60%), Miami-Fort Lauderdale (59%), Chicago (55%), St. Louis (55%) and Seattle-Tacoma (54%).

Rapid increases in the number of UPC coded products and sharp declines in the cost of scanning systems have not only helped to maintain the trend of new scanning installations in retail food stores,

Scanning growth trends for grocery stores

Year*	Total grocery stores with scanning	Average new scanning stores per month	Estimated % of sales rung up by scanning stores
1977	209	17	0.4%
1978	535	27	2.0
1979	1,387	71	6.0
1980	2,931	129	14.0
1981	4,568	137	21.0
1982	6,486	159	28.0
1983	8,150	139	35.0
1984e	9,826	140	41.0
1985e	11,328	125	46.0
1986e	12,645	110	50.0

*At year-end December
Source: A. C. Nielsen Co.

Overview of food store scanning markets

Major market	Number of food stores scanner equipped 12/83	Food store's share of all commodity volume 12/83
Total U.S.	8,150	34.5%
Albany-Schen-Troy	35	28.9
Atlanta	112	29.9
Balt.-Wash.	278	44.7
Birmingham	66	33.4
Boston	201	34.6
Buffalo	36	23.4
Charlotte	36	13.2
Chicago	302	55.2
Cincinnati	100	37.7
Cleveland	141	31.2
Dallas-Ft. Worth	190	39.4
Denver	140	69.2
Detroit	102	25.0
Grand Rapids	44	30.1
Houston	196	42.2
Indianapolis	112	37.6
Jacksonville	96	49.3
Kansas City	158	46.0
Los Angeles	611	58.9
Louisville	58	32.1
Memphis	30	12.4
Miami-Ft. Laud.	215	58.5
Milwaukee	78	37.2
Minn.-St. Paul	134	38.4
Nashville	79	27.7
New York	196	26.8
Oklahoma City	26	15.5
Omaha	59	34.0
Philadelphia	131	23.7
Phoenix	32	14.8
Pittsburgh	155	33.1
Portland	137	33.8
Rochester	32	42.2
Sacramento-Stock.	34	16.8
St. Louis	198	55.4
San Antonio	9	5.3
San Francisco	183	37.4
Seattle-Tacoma	231	53.5

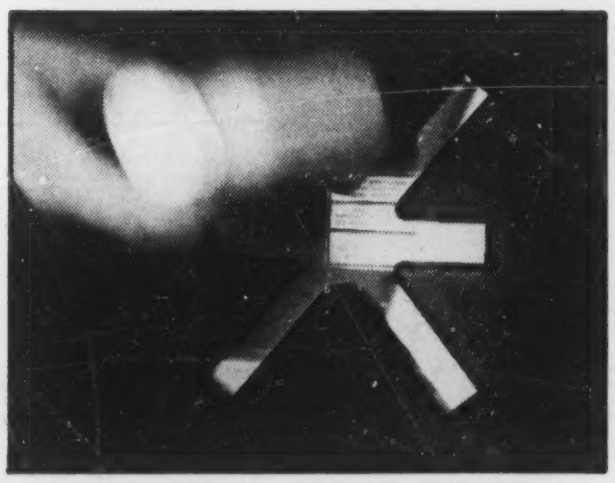
Source: A. C. Nielsen

but also have encouraged the development of scanning point-of-sale systems in other types of retail outlets. Drug retailers such as Revco, Pay-N-Save, Eckerd, SuperX, Medi Mart (Boston), Drug Fair (New Jersey), Save-On and Peoples are well into experimenting with the systems and the McKesson Corporation, a drug wholesaler, has just announced an integrated cash register/pharmacy point-of-sale scanning system.

Of course the list of hard cost savings that are used to initially justify the system installation keeps growing. Improved price control, shrink reduction, and improved employee productivity are immediate gains for any type of retailer. Direct store delivery control, price removal, and automated reordering are additional significant hard cost benefits that are being realized by those retail organizations using or experimenting with scanning technologies.

In addition to the hard cost savings available to retailers installing scanning systems, there are soft savings that can be realized. Of particular interest is the ability to link the effects of retail level promotions on consumer sales.

The promotional evaluation chart, drawn from the Nielsen experience with scanning generated information in grocery stores, is an example. Here, a mouthwash manufacturer offered a large trade allowance to encourage retailer promotional support on his item. For the item alone, average weekly sales jumped 652% (752 index points) above sales during non-promotional periods in stores that supported the item with both a display and a major ad; and, average weekly sales for the entire category increased by 62% (162 index points) at the same time.



Promotional Evaluation

	Mouthwash Brand 24 oz. Size	Total Category
Stores not promoting	100	100
Display only	278	104
Major Ad only	484	123
Display & Major Ad	752	162

PHARMACY

OTC Buyer Survey

Detailers visit Top 100 chains most frequently

NEW YORK — Can a retailer who is an independent drug store operator or an over-the-counter product buyer for a chain ranked somewhere between 101 and 200 in dollar volume expect the same service from over-the-counter product manufacturers as Top 100 chains?

According to a recent Lebhar-Friedman study commissioned by *Drug Store News*, he or she generally cannot.

On average, detail sales personnel from over-the-counter product manufacturers service the drug store retailer quite diligently. However, there are significant differences in the frequencies of service provided to Top 100 chains as compared with second-tier chains and independent drug store retailers.

According to the Lebhar-Friedman survey of chain and independent OTC buyers, 97% of all Top 100 chain buyers report that they see an OTC detail person at least once every three months. However, only 80% of buyers for second-tier chains and just 77% of buyers for independent retailers report that they see an OTC person that frequently.

Furthermore, the survey found that specific manufacturers have a habit of visiting Top 100 chain buyers much more frequently than they visit either independents or buyers for second-tier chains.

When we tried to assess how effective vendor salesman really are as sources for communicating important product information to OTC buyers, we found that twice as many Top 100 chain buyers found salesmen to be "very effective in communicating information" than did their second-tier and independent counterparts.

We also found that most OTC buyers rely heavily on trade news stories and trade news advertising for learning about particular OTC products. Buyers for second-tier chains and for independents are especially dependent on this information.

Visits from manufacturers

Even manufacturers with the most balanced schedule of detailing visits tended to see buyers for Top 100 chains more frequently then they did buyers for second-tier and independent operations.

We asked our respondents how often they saw detail people from 38 specific manufacturers and only reps from six companies were visiting at least 70% of our respondents at least once every three months.

However, five of those six were visiting 9 out of every 10 top 100 chain OTC buyers at least once every six months. These companies included Parke-Davis, Upjohn, Lederle, Rorer, A. H. Robbins and Schering Plough.

The worst companies on our list were getting to just 1 out of every 10 OTC buyers once every three months, and oddly enough, they were neglecting the Top 100 chains almost as

Continued on page 95

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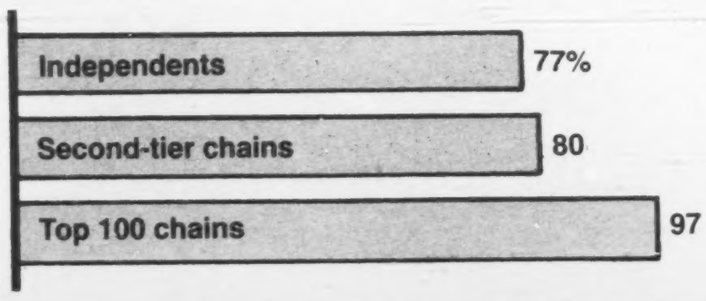
PHARMACY

Buyers from large chains are visited more often

Percentage of buyers who see a rep every 3 months



Source: *Drug Store News* OTC Buyer Survey

OTC Buyer Survey

Indies and smaller chains see detailers less often

Continued from page 94

badly as they were the independents and the smaller-volume chains.

Overall, however, the manufacturers named in our survey tended to see the Top 100 chains anywhere from two to 15 times more frequently than they did independents. But interestingly they tended to see Top 100 buyers only two to five times more frequently than they did buyers for second-tier chains.

Effective vehicles

The more often an OTC buyer saw an OTC detailing person, the more likely he or she was to pick that salesman as the most effective vehicle for learning about the product.

Two chain buyers, who had the best access to vendor reps, picked reps as their best source of information about OTC products 80% of the time.

In contrast, however, independents and buyers for second-tier chains, who were less exposed to vendor reps, picked them as the most effective source of information only four out of every 10 times.

Trade newspaper stories and trade ads also ranked as very effective information vehicles for OTC buyers as did direct-to-consumer advertising.

Advertising

Analgesics was the most frequently advertised OTC category for the buyers we surveyed. All our respondents picked analgesics as the category they advertise most frequently and it was also the category that earned the highest scores for drawing traffic.

However, we also found some interesting contradictions in our study. Nearly 7 out of every 10 independents said they frequently advertised antacids and cough/cold products, but oddly less than 2 out of 10 independents picked these categories as good traffic draws.

In a similar vein, 8 out of every 10 OTC buyers for second-tier companies said they frequently advertised cough/cold and vitamin products, but only about half of these buyers considered them a "best drawing" item.

Apparently retailers are opting to advertise some products to take advantage of manufacturer deals and promotional allowances even though buyers seem to feel their drawing power may be limited.

Top 100 chains, however, may know something about dental products that independents and second-tier chains do not know. For Top 100 chains, dental products are their second-best drawing category. However second-tier chains ranked the category fourth on their list while independents ranked it sixth. Just 4 out of every 10 independents and 5 out of every 10 second-tier chain buyers said they ran dental products on ad "very frequently" compared with 9 out of every top 100 buyers who said they did so.

Dental products, of course, have a very high consumption frequency, especially when compared with a product like laxatives that people tend to use only when needed. Chain OTC buyers seem to acknowledge this when they rate laxatives relatively low on their list of best drawing advertised products, but independents put laxatives in fourth place, ahead of cough/cold products and dental aids.

Merchandising aids

For generating impulse sales from in-store displays, chains of all sizes preferred floor-stand displays as their most effective merchandising vehicle while independents favored special endcap displays.

Top 100 chains and independents both liked rebate coupons, ranking them as their second most effective merchandising aid while second-tier chains ranked them fourth.

Second-tier chains preferred special counter displays, but that particular merchandising tool was the fourth choice of independents and the fifth choice of top 100 chains.

Two aids that our researchers discovered were very available from manufacturers got exceptionally low effectiveness ratings from retailers: sweepstake contest forms and specially built gondolas.

The greatest introductory offer ever!

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PHARMACY

OTC Buyer Survey

Top chains introduce the most new products

NEW YORK — In the OTC/Proprietary category, the Top 100 chains introduce the most new products during the course of a year and their buyers again report feeling the most satisfied with the support and service levels they received from manufacturers.

Buyers for the Top 100 chains reported introducing an average of 86 new products in the course of a year while buyers for second-tier chains introduced an average of 72, and independents an average of 40.

When a Top 100 chain introduces a new product, management usually takes space from existing products rather than expand the department. Seven out of 10 Top 100 merchandisers weed out slower movers or poor profit-producers to make way for promising new products. In contrast, second-tier chain merchandisers are just as inclined to expand the department as they are to pare it (50-50). Six out of every 10 independents will expand a department rather than pare it.

Chains are also much quicker to bring the product in through their own distribution center where they can carefully monitor it. Nine out of every 10 Top 100 chain buyers choose to pull the new product through their distribution centers rather than buy it through a wholesaler. In contrast, the ratio is reversed for independents: only 1 out of every 10 independents chooses to initially warehouse a new product. The rest buy it through a wholesaler. Six out of every 10 second-tier merchandisers also choose to initially buy through a wholesaler.

Whether a new product is an ethical OTC or a general OTC, buyers still want the manufacturer to deliver key information on four basic areas: the basics on advertising and promotional programs, an analysis of competitive pricing, the requirements for the initial stocking order and typical consumption/usage patterns.

The Top 100 chains, however, put the most emphasis on the basics of advertising and promotion programs, while second-tier chains put their first priority on competitive pricing analysis. The independents agreed with the chains. They first want to know the basics on advertising and promotion. Everyone agrees that competitive pricing information is next in importance, but buyers for large independents also want to know about stock order requirements, making that a third priority.

Once again when it comes to detailing retailers, buyers from the Top 100 chains registered receiving a higher level of service and more satisfaction than their second-tier and independent counterparts.

Out of 14 manufacturers whose new-product launches were studied in our survey, six, or 43%, visited the chains more frequently than they had visited independents, as much as two to five times more frequently, depending on the manufacturer.

Moreover, 12 of the 14, or 86%, visited the Top 100 chains more frequently than they had visited second-tier chains. Again depending on the manufacturer, the Top 100 respondents reported being visited anywhere from two to 10 times more often then second-tier chains.

The impact of these varying frequencies was very clear in the satisfaction ratings our respondents gave the various manufacturers. Top 100 chain respondents gave eight of the manufacturers (57%) a 3.9 very satisfactory rating, compared with one such rating (7%) from a second-tier chain and two (14%) from an independent.

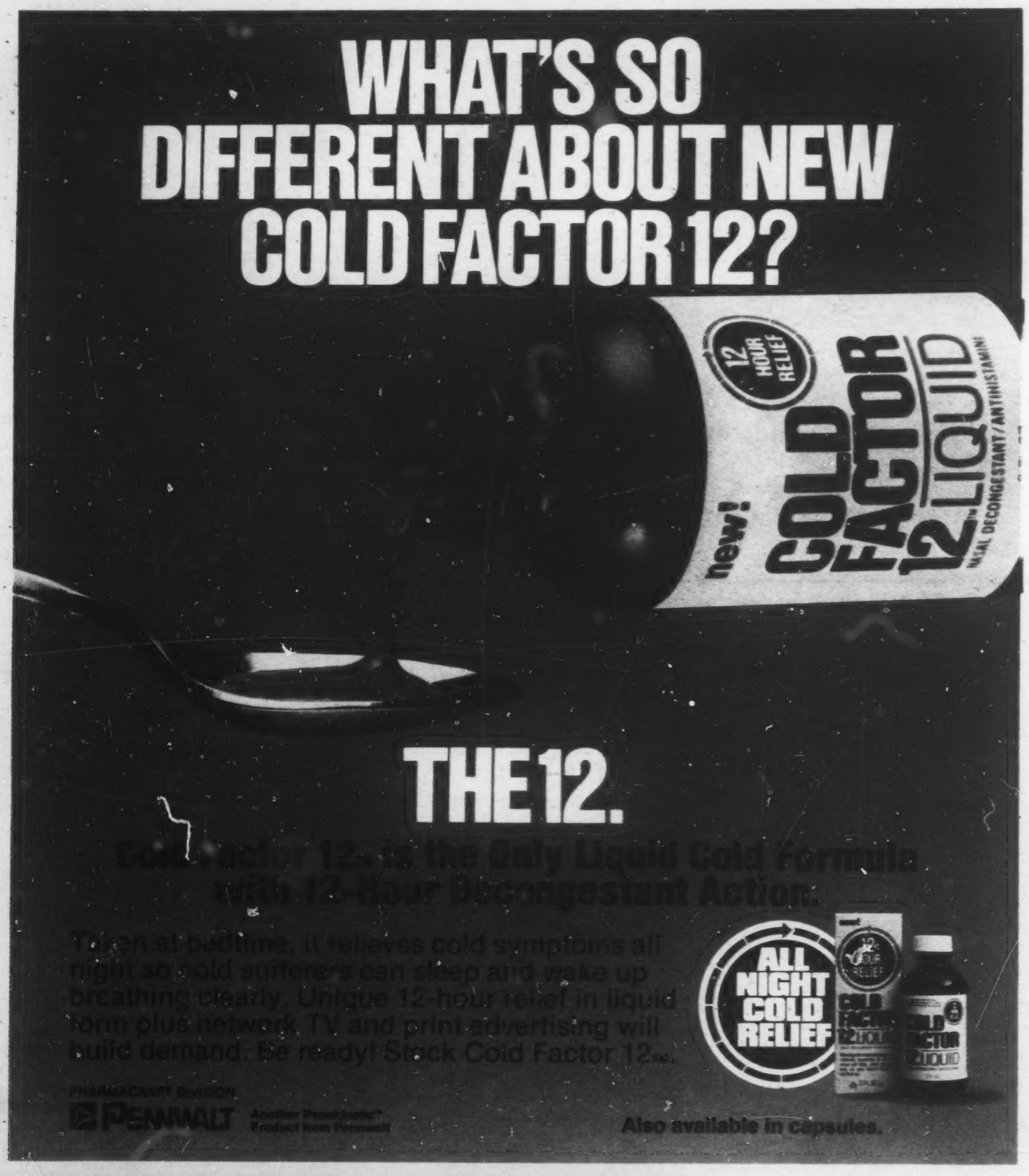
It is clear that manufacturers and retailers who maintain a close personal connection and a high level of interaction are happier with their relationship.

Types of information desired for a new OTC product

Percentage of respondents who want this type of information from detailmen

	Total	Independents	Top 100	Second-tier
Basics on ads/promos	89	87	100	80
Competitive pricing analysis	81	83	73	87
Initial stock order requirements—shelf pack, cube size, etc.	68	83	57	63
Consumption/usage patterns	67	77	67	57
Distribution methods	66	70	63	63

Source: Drug Store News OTC Buyer Survey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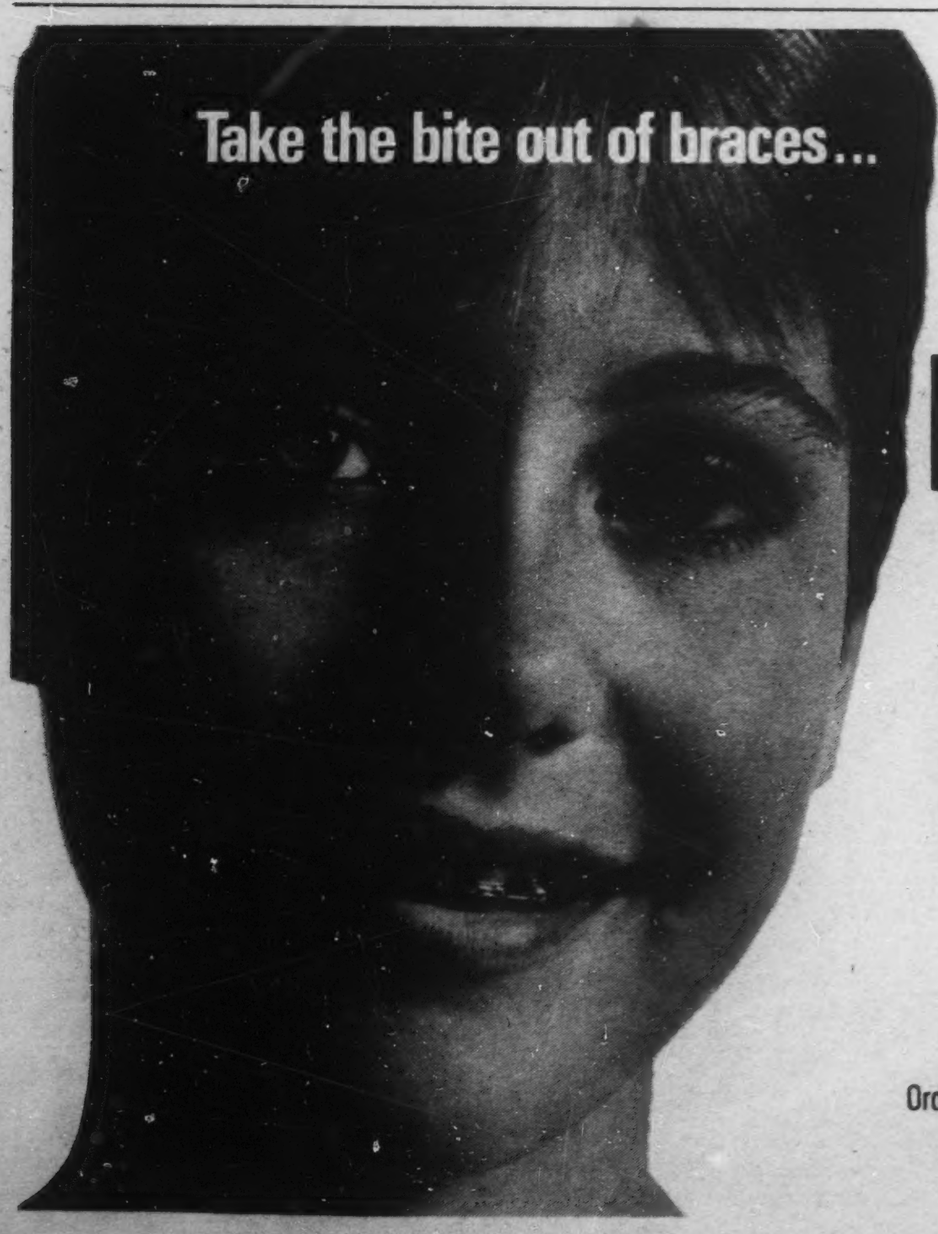
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PHARMACY

OTC Buyer Survey

OTC conversions spark sales increase for retailers

Total sales in the over-the-counter category in drug stores increased more than 12% last year, sparked by a late breaking flu season and the public's acceptance of former prescription-only products converted to OTC status.

The addition of just one OTC converted product, Drixoral, hyped sales 54% in the cough/cold category for Page Drug in Dallas while a recently converted decongestant, Actifed, took seventh place in unit volume sales in *Drug Store News*' Top 100 volume OTC products study.

Obviously aware of the positive impact of conversions on OTC sales, most of the retailers contacted in *Drug Store News*' recent OTC industry study, report that they are currently increasing shelf space for the category, and doing so primarily because of conversions.

They also report that they are getting more requests from customers for help in shopping the category and that there is growing customer confusion about the OTC products in the category.

Nearly 8 out of 10 independents in our study reported that they have increased space for OTC products. Three out of 10 say they see "growing customer confusion."

Many of these retailers also say they are taking advantage of this increased exposure and contact with consumers to improve their service and store image. Others are saying that the confusion over which product to buy is giving their pharmacists a chance to display their professionalism and concern.

However, even though OTC buyers are reporting that they see an emerging need from consumers to be given more guidance in selecting OTC products, they are still about equally divided on the question of creating a third class of drugs– selected nonprescription products sold only by a pharmacist.

Half the respondents in our survey were in favor of creating a third class of drugs (to be sold by pharmacists only) and 46% were against. Four per cent said they had no opinion.

Independents and second-tier chains were most in favor of a new class (60% and 53% respectively favored it) and the Top 100 chains were the least interested (37%) in favor.

Buyers and merchandisers also pointed out that the creation of a third class of drugs would also help the consumer by letting them cut back on unnecessary visits to their doctors. "They'd save money because they wouldn't have to go see their doctors as often," many said.

How the study was conducted

Findings in this survey are based on a total of 90 15-minute telephone interviews with buyers of over-the-counter drug products for chains and independently owned retail drug stores.

Thirty completed interviews were conducted among independents, and 60 interviews were completed among chains. The number of respondents among chains was evenly divided among the 100 largest drug retailers and smaller chains. These second-tier units ranked between 101 and 200 in dollar sales volume for 1983.

Some 22% of the chain respondents in the survey worked for companies with five or fewer stores; 20% worked for companies with six to 10 units; 20% worked for firms with 11 to 20 units; 15% worked for companies with 21 to 99 units, and the remaining 20% worked for companies operating 100 or more units.

Qualified chains were selected at random from the 1983 Lebhar-Friedman *Directory of Drug Stores and H&BA Chains*. Independent stores were randomly selected from a combination of *Drug Store News* circulation lists and the Dun and Bradstreet listing of independents.

A qualified respondent was the individual responsible for purchasing OTC health aids and medications.

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Just for a minute, think about how much profit you lost last year due to shrinkage. Then consider that, for every dollar of shrinkage loss, you had to do more than $10 in sales to *make up* for that loss on the profit side.

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It only takes a minimal amount of time to administer the Stanton paper and pencil test. The average applicant completes the survey in about 45 minutes and a supervisor is required to be on hand only at the beginning and end.

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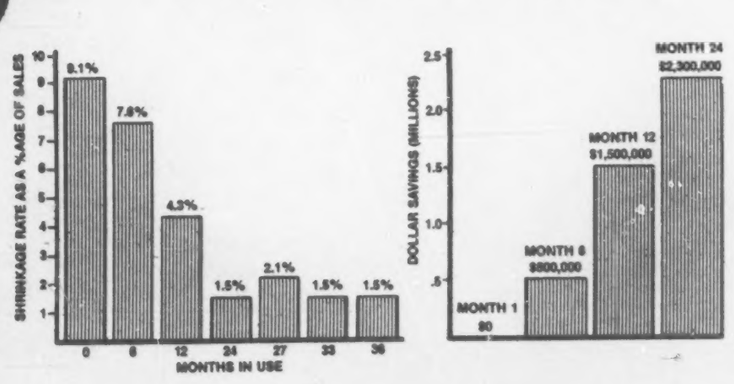
As a result of using the Stanton Survey regularly, Company "L" produced impressive profit gains simply by retaining the profit they were already earning.



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INTRODUCTION OF NIELSEN SCANTRACK MAJOR MARKETS

In November of 1984, the A. C. Nielsen Company will incorporate a new scanning based food store analysis and reporting service into its regular consumer sales measurement services. The enhancement, called Nielsen ScanTrack Major Markets, will initially be available in ten major market areas where scanning based food retailers account for between 70% to 80% of total large supermarket dollar volume (supermarkets are defined as those stores with annual volumes of $4 million and over). These markets are Boston, Chicago, Houston, Indianapolis, Kansas City, Los Angeles, Jacksonville/Orlando, Suburban New York, San Francisco and Seattle.

Nielsen ScanTrack Major Market Service will be available to both manufacturers and cooperating retailers. It represents a major investment on Nielsen's part to begin transforming the mass of data available from scanning into manageable reports that can enhance the making of major marketing sales and merchandising decision.

The advent of scanning based reporting technology will add several new analytical dimensions to help increase marketing and merchandising productivity. This includes the ability of scanners to record all important consumer sales transaction elements on a store-by-store, week-by-week, and UPC-by-UPC basis.

A second new analytical dimension opened up by scanning technology will be the direct linking of merchandising tactics with sales. The information can be tabulated in time intervals that fit the analysis allowing greatly improved promotion and retail price analysis as well as new item evaluation.

A third dimension, really a by-product of scanning technology, will be the development of a product identification language common to manufacturers, distributors and retailers. The key to this common language is the universal product coding system, a numeric code that will remain the same throughout the distribution channel. This will permit the development of reports that can be understood by all participants involved in manufacturing, distributing and retailing consumer goods.

Nielsen Marketing Research

A.C. Nielsen Company

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Convenience, quality are photo department assets—p. 13

PHARMACY
Special report: pharmac computers and POS systems—p. 39

DRUG STORE NEWS®

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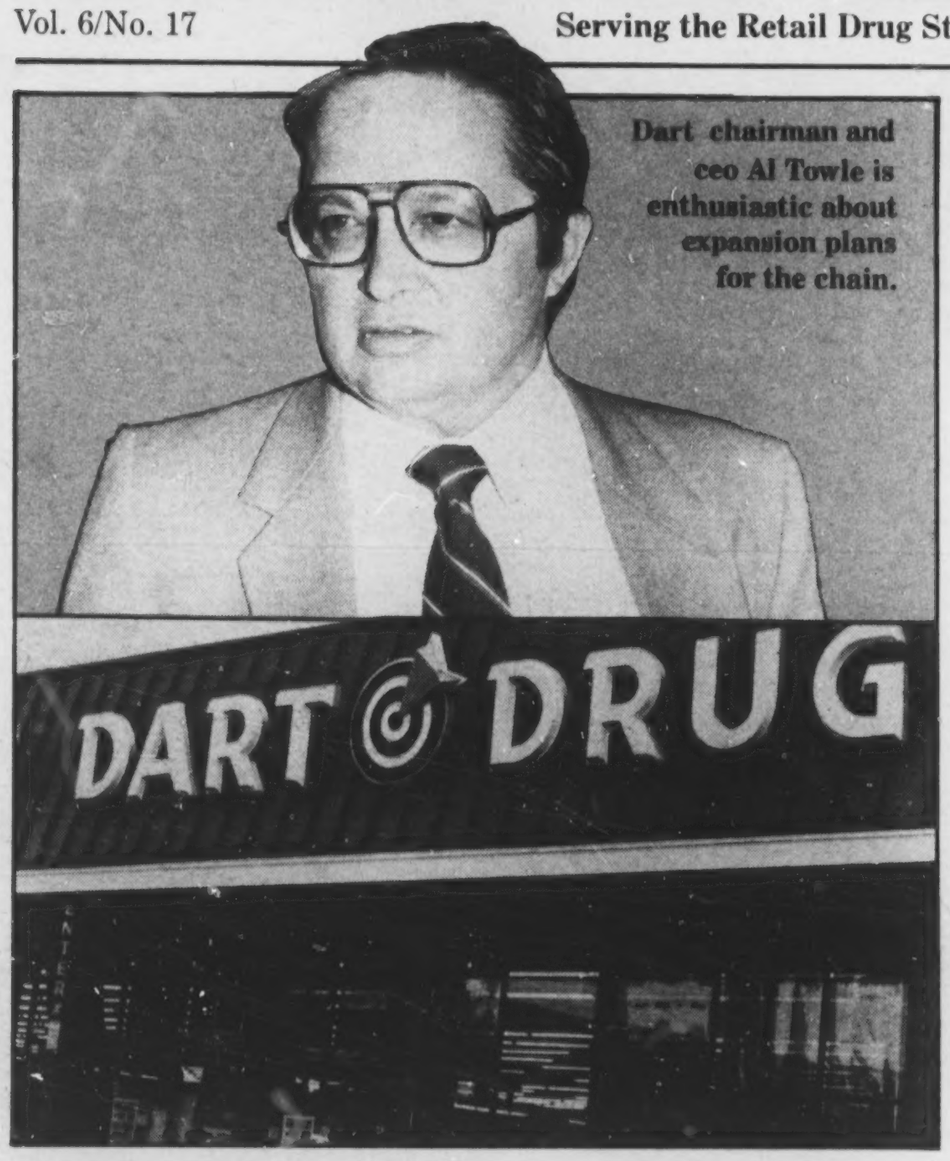

Dart chairman and ceo Al Towle is enthusiastic about expansion plans for the chain.

Dart's top execs bullish on D.C. expansion plans

By Bruce Buckley

LANDOVER, Md. — Dart Drug has a long way to go before it reaches saturation in its principal market, Washington, D.C., the company's new top managers say.

In fact, the execs add, they have pinpointed 90 separate locations covered by the *Washington Post's* advertising umbrella in which Dart has not achieved full market penetration.

Not every location will become a Dart store, of course, but as chairman and ceo Al Towle puts it: "We could almost double our store count" in the Washington market. Dart currently operates 74 super drug stores, almost all of them in or around the nation's capital.

Washington observers doubt, however, that Dart will ever be able to achieve the 40% to 50% market share that Towle has been quoted as saying is possible within three to four years. The competition from Giant, Peoples and even Drug Fair is too keen, they say.

Evidence that the major drug retailers will never sit still while one chain gobbles up share points can be found in Giant's reaction to Pathmark's deep-discount invasion of Baltimore.

Giant in June reacted by igniting a price war that has since raged into the Washington market and enveloped all of the major players.

Eliot Benson, director of re-

Continued on page 54

Shareholder list sought in Revco control battle

By Jim Ricchiuti

TWINSBURG, Ohio — The volatile struggle for control of Revco D.S. showed no signs of dissipating late last month as dissident shareholders Bernard Marden and Isaac Perlmutter requested that Revco management provide them with a shareholders' list.

The latest salvo fired by the two Odd Lot principals, who own nearly 12% of Revco, further fueled speculation that they were considering a move to take control of the $2 billion drug chain.

In a filing with the Securities and Exchange Commission, Marden and Perlmutter also stated that they had retained Drexel Burnham Lambert Inc. to provide them with financial advice

But while the threat of a proxy fight remained a possibility, industry analysts believe that even with a shareholder list the two dissident shareholders lack the necessary time and support to oust Revco chairman, president and ceo Sidney Dworkin.

Earlier last month, Revco mounted a counteroffensive against Marden and Perlmutter by rejecting as "self-serving" their demands that they receive six seats on Revco's 13-member board.

In proxy material mailed last month, Revco also asked shareholders to allow the chain's board to "exercise the right of first refusal" to buy back the 4.4 million shares Marden and Perlmutter received when they sold Odd Lot to Revco in May.

However, in an apparent concession to Marden and Perlmutter Revco said that it would not ask shareholders to approve any antitakeover measures in its annual meeting next week. The chain also agreed to provide the two Odd Lot executives with two seats on the board, which Marden and Perlmutter in turn rejected.

Some analysts believe that the decision not to enact any antitakeover measures indicates that the findings of the committee appointed to investigate allegations concerning Revco's purchasing department will not reveal any serious problems with the chain's purchasing activities. The allegations made by Marden and Perlmutter into possible purchasing irregularities by Revco are what first caused the dispute between the chain and Odd Lot.

In a related matter concerning the chain's purchasing procedures, Joseph De Kama, president of De Kama associates, issued a statement regarding his connection with the investigation. De Kama said that Revco's decision to hold payment for sales of products by his companies to the drug chain was "unjustified" and a "violation of contractual commitments."

"I deeply resent being treat-

Continued on page 54

Group offers $334M to purchase Pay 'n Save

SEATTLE — At presstime a group of investors led by the New York-based Trump Group was close to acquiring the Pay 'n Save Corporation.

The investment group, led by the Trump organization, which also owns hotels and office buildings, reportedly offered to pay $22 a share or about $334 million for Pay 'n Save. For the 26 weeks ended July 28, Pay 'n Save posted a profit of $4.1 million on sales of $342 million. Profits for the period, however, declined 64%.

A spokesman for the company refused to say whether other prospective bidders had been approached. He stressed, however, the company's management felt that "this merger is in the best interests of our stockholders."

A company spokesman, citing the costs associated with starting up new types of business and changing the format of the company's home center stores, called 1984 "a difficult year so far."

Pay 'n Save, which operates 150 drug stores plus about 163 home center and apparel stores in 10 western states, also expanded into the wholesale drug business earlier this year and acquired a chain of auto supply stores.

Rapid growth continues

Rx computer tests gain ground

NEW YORK — The horses are out of the gate in what may be the drug store industry's most interesting race in the 20th century: the scramble to create a "fully integrated," computerized store-management program for retail drug stores.

In exclusive interviews with drug store retailers and hardware and software manufacturers, *Drug Store News* has learned that at least one drug chain, Pay Less NW, has quietly installed a fully integrated in-store computer management program in approximately one-third of its stores, while at least seven other major chains are following suit and are currently in various phases of implementations and tests.

In addition, at least 300 and possibly as many as 500 independents and small regional companies are ordering and/or installing the combination electronic point-of-sale and micro- and mini-computer systems that will allow them to "integrate" a variety of electronic applications in their stores within one master program.

Major wholesalers are also either providing or preparing to provide "integrated electronic packages" to the stable of "value added services for retailers."

The breakthrough for most retailers has come this year as software and hardware manufacturers announced new, relatively low-cost products that connect a mini- or microcomputer in a retail store environment with in-store communicating electronic point-of-sale cash registers. In the case of Pay Less, the EPOS are actually linked on-line to a main frame at headquarters.

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Late News

SOURCES CLOSE TO AMERICAN STORES say the $14 billion conglomerate has reportedly put its troubled 145 Rea and Derick drug store division up for sale. Retailers and analysts say the division, whose stores are much smaller that the 65,000-sq.-ft. combo and superstores that American likes to operate, has not been performing up to the standards set by American's chairman L. S. Skaggs.

PHILIP J. HISCOCK, president of the Boston-based Medi Mart drug chain, has been named president of Sav-A-Stop Inc., a Jacksonville, Fla., rack jobber.

CONTINUING EDUCATION PROGRAM
Counseling patients for commonly used OTCs—pp. 21-28.

Herrlich purchase bolsters Rite Aid Mich. drive

SHIREMANSTOWN, Pa. — Rite Aid's acquisition late last month of the six-store Herrlich's Drug Stores in Flint, Mich., is the chain's second move into Michigan within the last three months.

With the Herrlich's purchase so close on the heels of the 24-store Muir deal, industry sources say that Rite Aid has pegged Michigan as a prime growth area.

Although the state is dominated by Pontiac, Mich.-based Perry Drug, it is also home to a great number of smaller chains and independents.

"It only makes sense that Rite Aid is preparing an assault on Michigan," said one observer. "It's the last remaining market where there are stores left to buy."

Local small-chain operators confirmed that the 1,206-store chain is pursuing growth in Michigan. Said one chain president, "Feelers are out for acquisitions. They want to fill in markets where they aren't and push closer to 2,000 stores."

Pat Early, Rite Aid's spokesman, said the chain's emphasis on Michigan is "only natural because of our presence in northern Ohio."

However, despite signs that Rite Aid is set to invade Michigan, Sentry's vp Chuck Fugate points out that the chain is steering clear of Detroit and relying on fringe markets.

"It's not Rite Aid's style to butt heads with the large chains," he said. "They want to find their own niche."

But Rite Aid will go head-to-head in Flint (population 523,600) with Perry, which, according to Metro Market Studies, controls better than 15% of the area volume. Additionally, the former Herrlich's stores, which average 7,000 sq. ft., will compete with strong independents, which produce 23% of the volume.

"We always welcome competition," said Perry's vp corporate public relations Berl Falbaum. "We're accustomed to operating in competitive markets. Look at Chicago, where we're up against Walgreens and Osco."

Rite Aid's remodeling team has been dispatched to Flint, according to Early, to remodel and remerchandise the stores. Local competitors report that a great deal of work is needed to turn Herrlich's around.

"I heard that the stores looked so bad that people thought they were going out of business," a competitor said. "They have two good stores, the other four are in bad areas."

Added another Flint operator, "Herrlich's had poor locations and untidy housekeeping."

News in brief

Morris Axelrod of Thrifty dies

LOS ANGELES — Morris Axelrod, who died last month at 76, left his imprint on Thrifty Drug's buying department for almost a half-century.

Axelrod—known by his contemporaries as "Ax"—started with Thrifty in 1936, seven years after Thrifty opened its first store, as an advertising copy writer. In the ensuing years, he gravitated to buying. For many years prior to his death, he held the title of executive vp, buying, and supervised a staff of 25 to 30 buyers.

He became a director of Thrifty in 1969 and was also a member of the chain's finance committee.

Despite a gruff exterior, Axelrod was "morally good and kind," says a Thrifty exec who worked with him for 40 years. His son Ellis is assistant vp in operations.

Suppliers describe Axelrod as "hard-nosed but fair." He had the reputation of being a shrewd bargainer, and with the immense power of Thrifty's 500-plus stores, he not only cut some sharp deals but made sure his buyers used the leverage fully.

As a result, suppliers rate Thrifty buyers as among the toughest in the business when it comes to rock-bottom prices. By the same token, a sale to Thrifty meant a large order. Thus, negotiations were not always conducted in subdued tones.

Perry to buy Pappy's

PONTIAC, Mich. — Perry Drug Stores has reached an agreement in principle to acquire the three-store Pappy's Discount Auto Stores Inc. based in St. Louis. The stores range in size from 4,500 sq. ft. to 7,000 sq. ft.

This marks Perry's second acquisition in the St. Louis market. The chain recently proposed a takeover of the 24-store Jack Lambert-Singer Auto Parts chain, St. Louis' largest auto-parts retailer.

Perry currently operates 52 FAS auto stores and 26 Auto Works outlets.

Bartell scales down nutrition dept.

SEATTLE — After two years of testing nutrition departments in four stores, Bartell Drug spent months fine-tuning the mix and scaling down the size.

Now the chain has installed streamlined departments in 13 of it 21 stores. The other eight stores will be phased in within the year.

Originally, Bartell devoted 20 to 36 ft. to nutrition, depending on store size. Now the department is 12 to 20 ft. The original mix was 50% food and 50% natural vitamins. Because vitamins were accounting for 75% of sales, Bartell changed the allocation to 70% vitamins, 20% food and 10% H&BA.

In the final shakeout, food was eliminated and H&BA returned to its regular home. The mix now consists of natural vitamins and books.

Corella joins Rite Aid

SHIREMANSTOWN, Pa. — Frank L. Corella, formerly vp merchandising for SupeRx Drugs, has joined Rite Aid. In his new position, Corella will be involved in retail drug operations, including the chain's deep-discount Drug Palace stores.

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Victory for chains is seen in court ruling on imports

WASHINGTON — The Federal Court of International Trade has slammed the door on efforts by multinational manufacturers to choke off supplies of "gray-market" imports to drug chains and other American retailers.

In a precedent-setting decision upholding the Customs Service's current policy that prevents foreign manufacturers and their United States subsidiaries from blocking "unauthorized" imports of their own products, the court concluded that Congress never intended to give foreign suppliers such power over the domestic marketplace.

The ruling represents a clear-cut victory for a number of major drug and discount store chains that have been quietly lobbying Congress and the Reagan Administration to resist pressure from foreign manufacturers for sweeping new restrictions on "gray" or "parallel" imports.

At issue in the dispute: a nearly 50-year-old Customs Service interpretation of Federal law under which American subsidiaries or other corporate relatives of foreign manufacturers are not entitled to prevent the unauthorized importation of their own legitimately trademarked products.

Since many multinational manufacturers price their products substantially higher in the United States than in other countries, drug chains and other domestic retailers are often able to secure significant savings on brand name watches, cameras, fragrances and other products by bargain-shopping overseas markets.

Even relatively inexpensive items such as Duracell flashlight batteries can be purchased from European distributors at as much as 40% below the prices charged by the manufacturer in the United States market.

In seeking authority to block unauthorized chain imports of these products, foreign firms maintain that retailers who purchase their goods abroad and ship them to the United States without authorization are "free riding" on their trademarks.

But the Court of International Trade rejected these arguments as immaterial by ruling that the only real question is whether Congress intended to give this degree of marketplace power to foreign manufacturers.

That case, which involved attempts by a Japanese camera manufacturer (Vivitar) to reverse the Customs Service's policy, hinged on the court's finding that Congress intended the law to protect American firms from unfair practices by

Continued on page 53

Key Drug is new name for Pay Less' small stores

WILSONVILLE, Ore. — Pay Less NW has selected Key Drug as the name for its new small-store format.

The first Key Drug will open around the first of November in Sequim, Wash., approximately 65 miles northwest of Seattle. The freestanding store, with 17,000 sq. ft. overall and 11,500 sq. ft. of selling area, is the site of a former grocery store.

Upcoming Key stores will either be takeovers of vacated premises or built from the ground up.

During 1985, Pay Less plans to open five to 10 Key Drugs in the states where it now operates—Washington, Oregon, Idaho and California.

Pharmacists will manage the stores, which are expected to generate between $1.5 million and $2 million in sales. Size of the units will vary from 10,000 to 17,000 sq. ft. overall and 8,000 to 12,000 sq. ft. of selling.

Sequim (pronounced squim) has a trading area of 12,000 sq. ft. and is called the "Sunbelt of Washington" because it has less rainfall than the rest of western Washington. Sequim's claim to fame is its wild animal farm, which trains animals for the movies.

Key Drug stores, called "mini Pay Lesses" by chain execs, will contain most of the departments of a conventional 30,000-sq.-ft. Pay Less but will be scaled to size. Altogether there will be about 15,000 sku's in the store, compared with 25,000 in conventional Pay Less units.

The mix will also be tailored to the community. For example, if there is a sporting goods store nearby, then Key will not have one.

The stores are pegged for small towns with populations of 5,000 to 10,000 which cannot support a conventional Pay Less drug store. Two major departments—Rx and OTC—are expected to account for 35% of the store's volume.

Key Drug completes a triad of store formats which strengthens Pay Less' marketing flexibility. The other two types are the conventional 30,000-sq.-ft. superstore and the Value Giant deep-discount.

The first Value Giant opened in Portland in July. Two more, both in Hayward, Calif., are scheduled to open in September.

NWDA merger signed; Treffrey named exec vp

ALEXANDRIA, Va. — Just one day after members of the National Wholesale Druggists' Association approved a merger with the Drug Wholesaler Association, executives from both associations formally signed the merger agreement.

The NWDA now represents more than 95% of the wholesale drug industry, making it the single organization responsible for all drug wholesalers.

"For the first time in the history of our industry," said NWDA chairman Elmer Fiery, "all wholesalers can now speak with one voice."

Fiery said the unity will permit NWDA to play an even greater leadership role in representing the interests of NWDA's member companies.

Prior to the merger, NWDA's membership represented approximately 90% of all wholesalers. About 66% of all DWA members were members of NWDA.

The merger agreement was signed by Fiery and DWA president Robert W. Meyer Aug. 28. Meyer is a one-year elected official, as is Fiery.

Charles Treffrey, DWA's executive vp, now becomes executive vp and coo of NWDA—second in command to president Bill Ford—while his assistant Janet Cordiano bcomes assistant director of member services, reporting to Bob McHugh, NWDA's vp of member services.

Cordiano, who officially joined the NWDA staff Sept. 4, will be responsible for coordinating all program services and meeting activities for NWDA's independent members (those who operate single distribution centers as opposed to multiple distribution centers).

According to NWDA sources, the proxy vote by the NWDA membership to determine the merger was "well in excess of the two-thirds majority required."

DWA's membership had already approved the merger at an earlier meeting.

FINANCIAL

Pay 'n Save earnings drop for second quarter

SEATTLE — Pay 'n Save's earnings dropped substantially for the second quarter in a row, the company reported.

According to the diversified Seattle-based retailer, net income for the quarter ended July 28 fell 64% to $3.1 million, or 20¢ a share, from $8.4 million, or 58¢ a share, in the corresponding year-earlier period.

Sales for the quarter advanced 14% to $342.2 million from $301.5 million.

Cal Hendricks, vice chairman of the board and chief financial officer, said the lower earnings were the result of several factors, including "disappointing" same-store sales gains and "comparative weakness" in gross margins, particularly in the Ernst Home Center division.

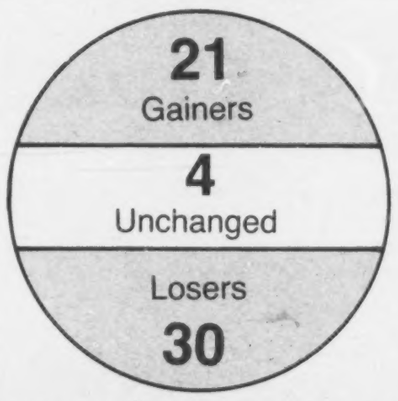
In addition, Pay 'n Save took one-time losses from the sale of six unprofitable California stores and the closing of two others, one in California and the other in Hawaii. Start-up costs associated with Price Savers Membership Warehouse and Northwestern Drug Co., the wholesaler acquired earlier in the year, also hurt earnings.

"We are confident that our long-term strategies to improve operating efficiencies and merchandising methods will pay off in greater future profitability despite the disappointing results of the present," Hendricks said.

He added that the opening of a second Price Savers Membership Warehouse in Fife, Wash., had been "very well received by customers" and two more are scheduled to open, in Seattle and Anchorage, later this year.

"Another bright spot," he said, "is the warehousing potential of the highly mechanized Northwestern Drug Co. Northwestern has recently expanded warehousing of merchandise for our Pay 'n Save and Bi-Mart drug divisions. We expect to begin warehousing additional items for the Ernst Home Center Division later this year."

For the first two quarters, earnings declined 64% to $4.1 million, or 26¢ a share, from $11.3 million, or 79¢ a share.



Top five gainers

Company	2-week % change	Closing price 8/27
Drug Systems	+10.0	$ 4.13
Pay 'n Save	+ 6.9	17.50
ICN Pharm	+ 6.7	8.00
Revco	+ 6.4	29.25
Adams	+ 4.8	16.50

Top five losers

Company	2-week % change	Closing price 8/27
Newport Pharm	−12.50	$ 3.50
Forest Labs	−10.34	13.00
Marion Labs	− 6.63	38.75
Ketchum	− 6.56	14.25
Walgreens	− 6.34	38.75

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		From 08/10/84 - 08/27/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct				Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																											
Adams Drug	ADG	17.38	15.50	16.50	.75	4.76	24.88	11.00	.77	-.39	3.33	-.39	1.74	.62 F	55.3	40.0	2.4	9.5	.04	.2	09-10-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	39.25	35.25	37.75	-1.25	-3.21	44.00	26.50	.10	.61	1.87	55.00	3.61	.87 Q	30.3	54.0	1.5	10.1	.64	1.7	06-20-84	7983.7	117.9	1.5	12.39	15.26	0184
Begley Co	BGLY	15.50	15.50	15.50	.00	.00	22.00	14.50	-.35	.09	-6.70	50.00	1.47	1.46 N	NC	-10.0	1.4	10.6	.68	4.4	07-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	11.25	10.63	10.88	-.13	-1.14	14.50	8.88	.39	-.16	-1.89	3.33	.53	.14 Q	33.3	23.0	3.0	19.4	.00	.0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Drug Sys	DRGS	4.38	3.50	4.13	.38	10.00	7.50	3.25	.05	-1.47	3.85	-20.90	.56	.16 F	-22.2	NC	2.1	7.4	.00	.0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	23.63	22.25	23.25	.00	.00	29.38	20.25	-.06	.21	3.32	21.95	1.91	.31 N	16.5	6.0	3.1	10.7	1.00	4.3	09-10-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	11.00	9.88	10.63	-.38	-3.41	14.50	8.38	.22	.16	-.96	5.09	.60	.15 Q	31.2	56.0	2.6	16.9	.20	1.9	06-18-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	16.63	16.25	16.50	.25	1.54	20.50	10.50	.16	.23	-1.23	14.81	.96	.31 Q	43.6	79.0	2.0	16.2	.20	1.2	06-14-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	22.00	21.50	22.00	.38	1.73	29.50	18.50	-.28	.66	-8.26	54.76	2.01	-.07 S	-3.5	8.0	2.7	11.6	1.00	4.5	07-09-84	320.5	8.7	1.7	2.75	10.38	1283
Longs Drg Strs	LDG	41.00	39.00	39.88	-1.38	-3.33	49.75	34.00	-.17	-.07	1.48	-16.92	3.43	.45 Q	14.8	11.0	3.0	11.5	1.28	3.2	05-22-84	1214.4	36.4	1.9	.00	20.32	0184
Pay N Save	PAYN	17.63	15.50	17.50	1.13	6.87	28.75	14.38	-.32	2.28	3.43	2.63	2.02	.38 Q	25.1	3.0	2.5	9.3	.60	3.4	08-20-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	21.75	20.38	20.75	-.25	-1.19	22.00	14.00	.32	-.65	-3.04	-11.80	1.35	.30 Q	27.0	4.0	2.9	14.7	.34	1.6	06-18-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	16.63	15.25	16.50	.00	.00	22.38	12.38	-.08	.59	1.03	-69.92	1.02	.37 Q	50.0	11.0	1.6	14.9	.24	1.5	08-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	29.25	26.50	29.25	1.75	6.36	37.50	24.00	-.04	1.23	4.55	-12.06	2.54	.41 F	19.2	28.0	4.2	11.5	.80	2.7	08-20-84	2227.5	93.4	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	24.25	22.50	23.75	-.38	-1.55	26.00	17.50	-.09	.35	-1.83	-37.86	1.47	.29 Q	23.5	30.0	5.1	15.6	.41	1.7	07-13-84	1223.3	62.2	2.3	.49	7.68	0284
Thrifty Cp	TFD	18.38	17.00	17.25	-.63	-3.50	20.50	11.50	.22	-1.01	.70	-2.86	1.13	.27 N	25.7	19.0	1.9	13.1	.52	3.0	08-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	41.38	38.00	38.75	-2.63	-6.34	42.00	28.63	.00	-.06	-1.96	.20	2.24	.61 N	29.7	33.0	2.9	14.6	.72	1.9	08-13-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	23.75	22.50	22.88	-.13	-.54	32.25	19.00	.09	.06	.58	-58.28	1.60	.21 N	13.2	36.0	1.4	12.7	.32	1.4	07-26-84	1452.0	20.0	1.6	1.22	9.99	0883
Durr Fillauer	DUFM	14.50	13.38	14.50	.25	1.75	17.75	10.25	.48	.71	2.38	-12.45	.80	.09 S	12.0	21.0	1.9	17.3	.16	1.1	08-20-84	263.2	5.0	2.3	2.03	6.80	1283
McKesson Cp	MCK	38.13	35.75	37.25	-.75	-1.97	44.63	32.38	-.36	.51	1.73	-56.83	3.25	.04 F	1.2	1.0	1.5	11.5	2.40	6.4	08-28-84	4260.0	63.0	1.4	10.45	30.25	0384
Foxmeyer Cp	FOXM	25.50	23.50	25.00	-.25	-.99	27.75	20.00	-.05	.18	-1.89	-49.56	.94	1.43 N	NC	103.0	1.1	17.5	.00	.0	00-00-00	464.2	5.2	2.0	3.95	11.86	0384
Ketchum	KCH	15.50	14.25	14.25	-1.00	-6.56	21.00	10.50	.45	-.77	-5.52	7.14	.80	-.09 F	-10.1	53.0	.3	17.8	.00	.0	09-26-83	245.1	.8	1.5	5.87	5.68	0483
Owens & Minor	OBOD	15.00	14.00	14.75	.50	3.51	18.50	11.25	.34	-.09	5.25	-25.00	1.41	.17 S	14.5	10.0	1.2	11.0	.36	2.4	06-06-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	24.50	22.50	23.38	-.38	-1.58	24.50	15.50	.30	.50	.96	21.83	1.78	.49 Q	35.0	54.0	1.8	12.4	.14	.6	07-03-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	48.00	45.50	46.38	-1.00	-2.11	53.38	38.25	.06	-.26	-1.03	1.71	2.86	.51 S	19.6	26.0	11.9	15.0	1.20	2.6	07-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	53.13	49.63	53.00	1.75	3.41	55.75	45.75	-.23	.37	.22	-7.81	4.00	.44 Q	12.0	16.0	12.9	12.9	2.64	5.0	08-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	17.50	16.25	16.88	-.25	-1.46	31.00	13.25	.20	-.44	.81	-9.75	1.45	-.01 S	-.7	22.0	11.8	12.6	.33	2.0	08-31-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	26.50	26.50	26.50	.00	.00	29.13	25.00	-.30	.06	-5.37	-61.76	3.28	.33 F	11.1	16.0	10.0	8.1	1.00	3.8	08-28-84	238.2	23.9	2.5	2.35	17.84	0383
Bolar Pharm	BLR	31.25	27.25	30.25	.63	2.11	31.25	17.50	.13	-.70	7.24	-5.62	1.15	.27 Q	30.3	53.0	19.2	26.1	.05	.2	02-10-84	25.5	4.9	4.9	.00	4.76	1283
Bristol-Myers	BMY	49.63	47.25	47.63	-.88	-1.80	50.38	36.75	-.08	-.69	-.79	.90	3.00	.47 S	16.9	19.0	10.4	14.7	1.60	3.4	06-29-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	25.88	24.25	24.88	.38	1.53	26.38	19.38	.34	-.23	1.79	-5.54	2.37	1.81 F	323.2	22.0	5.7	10.5	.48	1.9	07-26-84	323.1	18.4	2.4	1.69	21.87	0384
Cooper Labs	COO	22.50	20.63	21.13	-1.63	-7.14	27.00	10.38	-.89	-.21	.66	.71	NA	NA	NA	NA	NA	NA	.12	.6	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	14.75	12.38	13.00	-1.50	-10.34	37.25	11.25	-.04	-1.95	-1.80	68.02	.54	.08 Q	16.6	56.0	14.8	23.2	.00	.0	01-14-83	19.6	2.9	8.3	.28	5.42	0384
ICN Pharm	ICN	8.63	7.13	8.00	.50	6.67	11.25	4.88	-.03	.72	5.13	-6.29	.22	-.09 Q	-28.1	43.0	5.1	34.8	.00	.0	00-00-00	37.0	1.9	4.3	.20	4.34	1183
Key Pharm	KPH	17.13	15.00	16.38	.63	3.97	23.50	10.63	.65	.23	.50	-1.30	.51	.20 S	50.0	78.0	14.8	27.3	.16	1.0	09-10-84	127.3	18.8	2.1	1.16	1.67	1283
Lilly Eli Co	LLY	58.13	56.25	57.38	.63	1.10	68.38	53.00	-.28	-.12	-5.04	-1.61	6.13	.96 S	17.2	12.0	15.1	8.8	2.90	5.1	08-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.13	2.88	3.00	.13	4.35	3.75	2.00	-.51	-1.01	-1.25	-22.64	-.49	.28 S	NE	-110.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	42.50	38.63	38.75	-2.75	-6.63	48.00	27.25	.19	-.48	2.23	-20.82	1.24	.46 F	58.9	55.0	10.6	31.3	.40	1.0	09-12-84	226.4	24.1	2.5	.05	5.93	0683
Merck & Co	MRK	87.75	83.50	84.00	-2.88	-3.31	104.63	78.25	-.26	-.77	-.43	-3.58	6.10	.53 S	9.0	7.0	13.9	13.2	3.00	3.6	08-31-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	83.88	79.25	82.50	3.50	4.43	84.50	60.00	.08	-.02	1.19	-4.21	5.15	1.25 N	25.7	17.0	5.2	13.5	1.76	2.1	05-24-84	1509.2	78.5	1.4	8.90	32.79	0683
Mylan Labs	MYLN	35.13	24.75	29.00	.75	2.65	35.13	6.09	1.74	-5.95	8.98	31.01	.40	.11 F	37.9	110.0	12.7	72.5	.03	.1	08-01-84	36.9	4.7	5.4	.21	1.52	0384
Newport Pharm	NWPH	4.38	3.50	3.50	-.50	-12.50	10.50	2.75	-.13	-5.19	-5.70	15.44	-.21	-.18 F	NE	9.0	-23.5	NE	.00	.0	00-00-00	8.5	-2.0	3.7	.24	1.12	0483
Pfizer Inc	PFE	37.25	35.25	36.25	.38	1.05	44.50	29.38	.27	-.12	-.80	-10.46	2.73	.53 S	22.4	18.0	11.9	12.5	1.32	3.6	07-26-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.25	3.13	3.13	-.13	-3.85	4.75	2.75	-.43	.22	-2.90	33.03	.10	.03 N	30.0	56.0	6.1	24.0	.05	1.6	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	15.38	13.88	14.38	.25	1.77	29.38	12.00	-.10	-.63	-2.58	10.03	2.40	-.29 S	-12.7	15.0	10.3	7.2	.76	5.3	08-20-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	32.63	31.13	32.00	.88	2.81	34.25	25.25	-.07	-.16	.95	-10.79	2.02	.28 S	15.3	10.0	8.9	15.2	1.08	3.4	08-06-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	10.38	9.63	9.75	-.63	-6.02	21.50	8.88	-.22	-.31	6.85	-84.65	.52	-.52 F	-50.0	-1.0	2.3	18.8	.32	3.3	09-12-84	171.7	4.0	1.9	4.83	11.14	0384
Searle, GD	SRL	49.88	45.75	47.75	-2.00	-4.02	55.50	37.50	-.17	-.34	-.16	7.01	2.39	.18 Q	7.5	13.0	12.6	18.6	.52	1.1	08-07-84	946.0	119.0	2.4	3.62	14.85	1283
Squibb Corp	SQB	49.63	45.13	45.25	-2.38	-4.99	55.63	37.50	-.11	-2.16	-.52	5.49	3.31	.38 S	12.2	11.0	9.8	13.0	1.44	3.2	08-13-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	26.38	25.38	25.63	-.50	-1.91	29.63	23.50	-.32	-.46	-2.68	8.19	2.24	.15 S	6.9	7.0	7.2	11.1	1.16	4.5	08-09-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	48.00	44.50	45.38	-2.25	-4.72	61.50	37.75	-.09	-.08	1.01	16.53	4.30	.25 N	6.0	32.0	17.2	10.3	1.60	3.5	08-13-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	24.00	22.25	23.00	-.75	-3.16	26.50	12.75	-.28	-.25	-3.81	-25.23	1.65	.78 S	55.7	70.0	11.0	10.6	.40	1.7	06-11-84	149.4	16.5	3.2	.00	5.85	1183
Upjohn Co	UPJ	55.25	52.00	52.38	.13	.24	72.25	45.00	-.01	-1.06	-7.42	-6.65	5.28	1.59 S	35.8	3.0	8.1	8.7	2.56	4.9	07-02-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	34.75	32.50	33.38	-.13	-.37	36.75	27.00	.03	-.07	.63	-18.04	2.51	.51 S	23.3	1.0	6.5	12.4	1.48	4.4	08-06-84	3108.3	200.5	1.9	7.53	17.75	1283
Zenith Labs	ZENI	18.00	16.50	16.75	-.50	-2.90	18.00	12.00	.40	-.22	4.35	12.31	.73	-.43 S	-45.2	56.0	7.8	32.2	.00	.0	00-00-00	32.1	2.5	4.6	1.12	5.12	1283

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes: NA - Not Applicable; NC - Not Calculable; NE - Negative Earnings; NM - No Meaningful Figure; Q - First Quarter; S - First 6 Months; N - First 9 Months; F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISER

Drug retailers have long viewed photo-processing departments as an important part of their overall merchandise mix. Apart from producing high profit margins, the departments guarantee a minimum of two customer trips to the store.

Convenience, quality are photo dept. assets

Despite the influx of one-hour mini-labs, drug chains have continued to stress convenience and quality as the key selling points in their photo-processing programs.

From 1980 to 1983, the number of mini-labs has grown by more than 400%, according to the Photo Marketing Association. Initial projections were that the one-hour mini-labs would garner anywhere from 20% to 25% of the amateur photo-processing market by 1985. Currently, mini-labs have about 10% to 12% of the overall market.

Drug stores, which according to the 1983 PMA Industry Trends Report control 27% of the market, responded to the mini-lab challenge by offering quicker turnaround service.

Chains such as Osco, Sav-On and Perry now boast next-day service or their customers get their photos free. In an effort to boost its photo-processing service, Heartland Drug, a deep-discount chain in New England, introduced KIS one-hour service in one of its stores. And chains such as Eckerd and Skaggs have also installed sophisticated one-hour mini-labs in some of their stores.

But even as more major corporations and greater numbers of photo-processing independents enter the one-hour field each year, it has become apparent that the impact of the mini-labs may have been overstated.

Continued on page 14

Tobacco sales still strong despite warnings, pricing

Considering the increased health warnings about smoking, higher Federal, state and local taxes and price hikes on several leading brands, chain drug stores continue to rack up strong cigarette sales.

On the one hand, consumer acceptance of higher cigarette prices for some of the most popular brands has helped increase department dollar sales. And on the other hand, retailers say the success of generic cigarettes such as those marketed by Liggett & Myers has helped set off a wave of price cutting by such heavyweight cigarette manufacturers as R. J. Reynolds and Brown & Williams.

Retailers expect a 10% increase in cigarette sales this year.

The June price increase, however, did cut into unit cigarette shipments during the first two quarters of the year. According to a report complied by John Maxwell, tobacco analyst at A. G. Becker Paribas, cigarette sales declined 2.1% from the first half of 1983. Industry sales suffered more in the second quarter as sales were off by 3.7%.

But Maxwell pointed out that the sales decline in the second quarter were due more to efforts by wholesalers to build their inventories before the price increase took effect than to any significant decline in cigarette sales at the retail level.

Drug retailers surveyed by *Drug*

Continued on page 16

MERCHANDISER

Convenience, quality remain photo dept. assets

Continued from page 13

Quality problems still plague some one-hour operators. Many have gone belly up from the large investment outlays for equipment and high rental rates. And still another problem facing many mini-labs is the consumer resistance toward paying the higher processing costs in one-hour service.

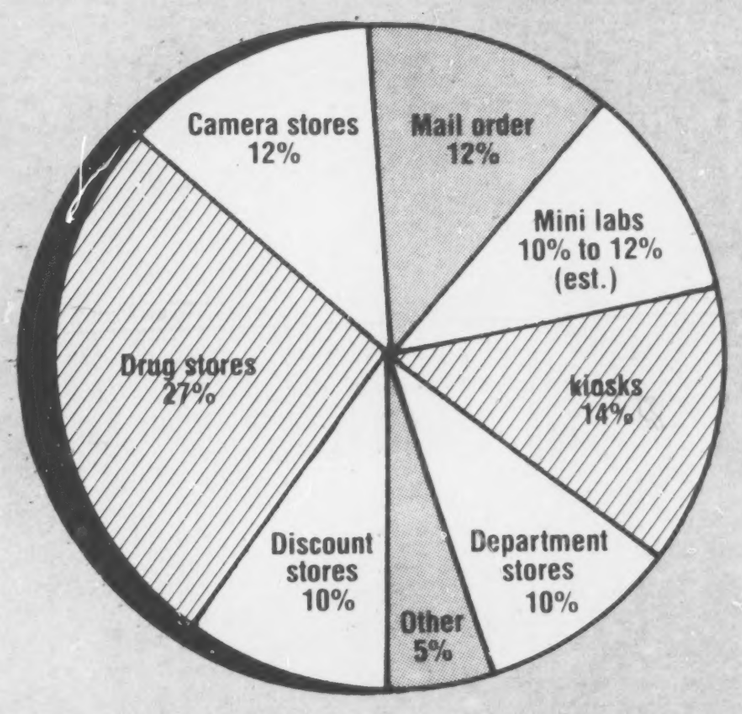
The difficulties experienced by many one-hour operators is now causing many industry experts to re-evaluate market share projections for mini-labs over the next few years. Industry estimates now are that mini-labs may penetrate only 15% of the market in the near future.

In some cases, the predicted shakeout in the one-hour industry has left some drug store photo-processing executives wondering if they reacted too quickly to the mini-lab threat.

When Crest Photo, the photo-processing division of the Chicago-based Osco Drug, launched its seven-day-a-week, next-day service it mounted a major advertising program to promote the faster turnaround service. But while the chain's photo processing volume increased, it was only a temporary increase. Once the advertising campaign was over, Osco's volume slipped back to its pre-express service level.

A spokesman at White Drug Stores, a 43-unit chain in North Dakota, said the chain has decided not to compete directly with the one-hour labs by stressing turnaround time. "Customers come into our stores and drop off their film because it's convenient," he said. "I don't think the average person knows how fast they can get their film developed."

Photo-processing market share by retail outlets



Source: Industry estimates and photo marketing association

According to the PMA consumer survey, 35.7% of the respondents said that one week was a reasonable amount of time to wait to have their film developed. Twenty-nine per cent said three days, while 18.8% felt two days an acceptable amount of time. Less than 10% of the respondents felt they should receive next-day service.

In fact, among consumers who rely on drug stores for their photo-processing needs, speed in returning pictures was regarded as the most important factor in choosing a particular photo-processing outlet by only 10.4% of the respondents in the PMA consumer survey.

The survey clearly indicated that the two most important reasons why consumers drop their film off in a drug store are still convenience (35.7%) and quality reputation (28.6%).

Some retailers have likened the mini-lab phenomenon to the explosive growth of photo kiosks in the 1970's. Kiosks had been considered the most serious threat to the drug store photo-processing business in recent years. However, as many operators reached the maturation point and as many areas of the country became saturated with these outlets, kiosks began declining in overall numbers and market share.

For the most part, chains have put most of their efforts behind promoting quality. Chains such as Eckerd and Genovese Drug in Melville, N.Y., which operate their own photo-processing plants, offer consumers larger prints.

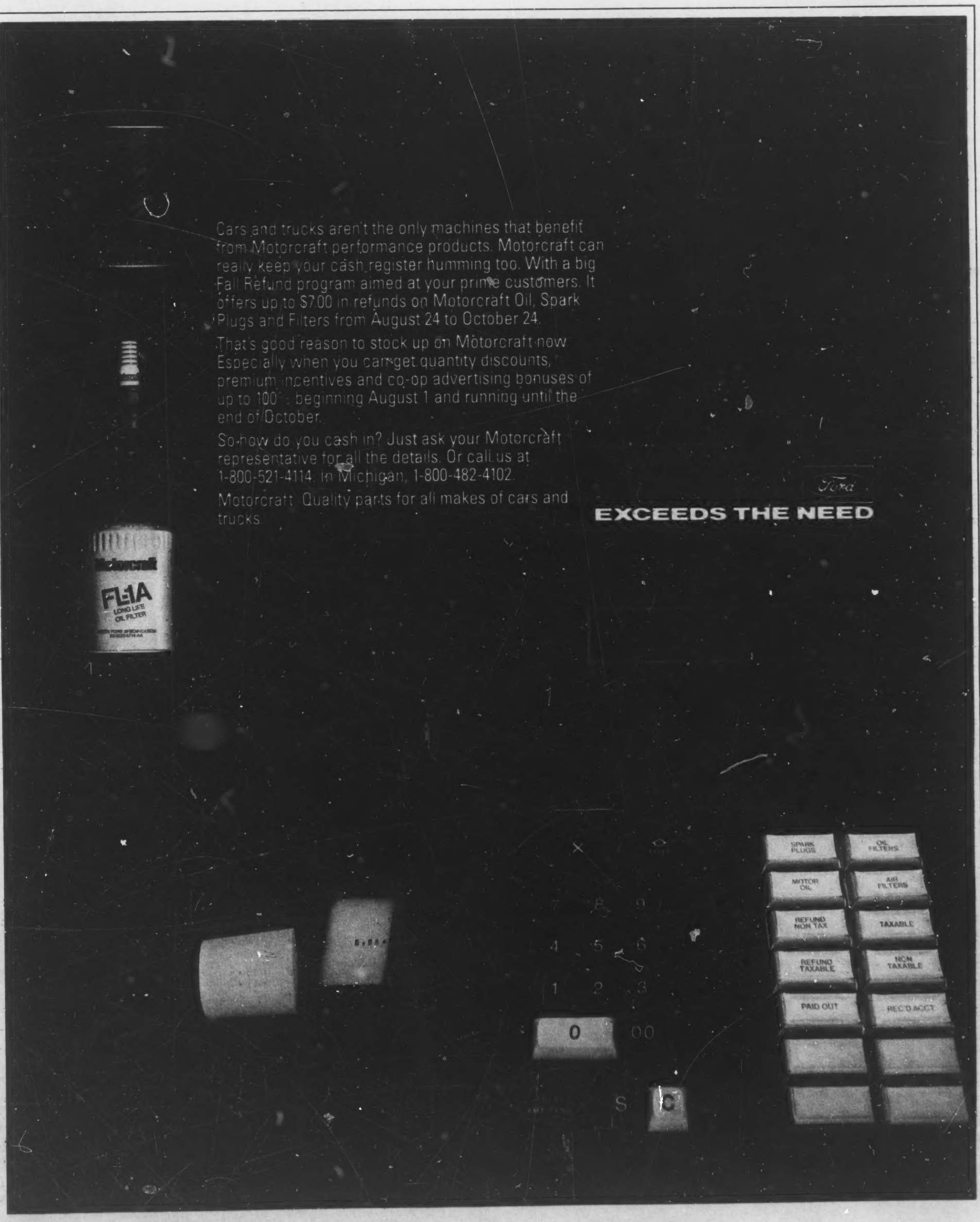
Genovese two years ago also began providing its photo-processing customers with Photogard, a protective coating developed by 3M that prevents photographs from fading, smudging, scratching or wetting.

Sal Giaramitta, general manager at Genovese's Living Color photo-processing division, said that the chain is attempting to communicate to customers that it provides the same careful service with photo processing as it does with pharmacy.

Many drug retailers view supermarkets and discount stores as their most serious competitive threat. Supermarkets with their large network of store locations and sharp pricing tactics may pose the biggest challenge.

Drug chains have tried to offset the competition by offering additional services. White Drug was able to boost its photo-processing volume by approximately 50% last year by kicking off a twin print program. White now provides all of its customers with two prints for one low price.

While offering two prints for one price is not a new strategy in the industry, White Drug spotted the demand for such a program in its operating markets, and thus far the program has paid dividends.


Cars and trucks aren't the only machines that benefit from Motorcraft performance products. Motorcraft can really keep your cash register humming too. With a big Fall Refund program aimed at your prime customers. It offers up to $7.00 in refunds on Motorcraft Oil, Spark Plugs and Filters from August 24 to October 24.
That's good reason to stock up on Motorcraft now. Especially when you can get quantity discounts, premium incentives and co-op advertising bonuses of up to 100% beginning August 1 and running until the end of October.
So how do you cash in? Just ask your Motorcraft representative for all the details. Or call us at 1-800-521-4114. In Michigan, 1-800-482-4102.
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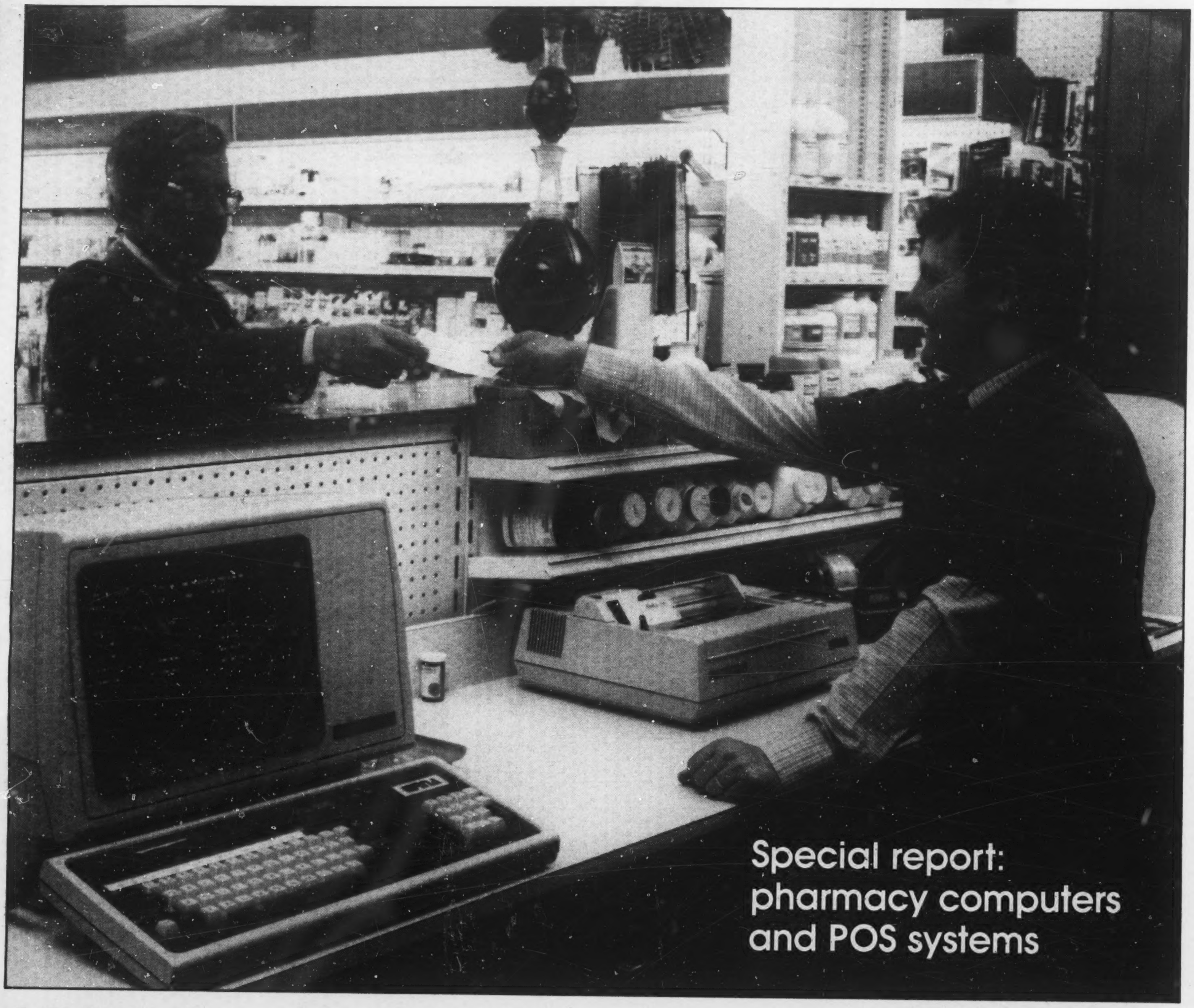
PHARMACY



1984: Boom year for computer hookups

Industry sources are forecasting a boom year for new pharmacy-computer installations as computer technology improves and prices fall.

It is now estimated that by the end of this year, about 15,000 drug stores, approximately 30% of the industry, will have pharmacy computers.

"With this evolution in technology and decline in the cost over a period of time, we have seen a general proliferation of computers by both the independent and the chains," says William A. Lockwood, president and publisher of *ComputerTalk*, a publication specializing in pharmacy and medical computer systems.

Many of the chains and independents that have pharmacy computers are also finding sophisticated new applications for them, such as running software that links electronic in-store communicating cash registers to in-store mini and micro computers.

To date, independents have been more aggressive in pharmacy-computer installations, but Lockwood sees the chains quickly closing the gap.

"Right now 25% of the independent pharmacies are using pharmacy-computer systems, compared with 20% for the chains," says Lockwood. He estimates that by the end of 1984 the number of independents and chains using computers will be equal. "We project that about 30% of all independents and chains will be operating a pharmacy-computer system by year end," he added.

With entry-level prices averaging around $15,000, Lockwood says the current payback on a system is excellent.

"When paid out over a five-year period, it costs the pharmacy only $8.22 a day before taxes to own his own computer system," says Lockwood. "Now that's a real bargain."

One chain in the computer fast lane is Genovese Drug Stores. According to Wayne Carona, assistant vp, pharmacy services, of the 72-store Melville, N.Y.-based chain, new computer systems are being installed at the rate of one or two a week. "We've taken the IBM pharmacy-computer package and rewritten the software to tailor-make it to our needs," said Carona. Genovese plans to have the entire chain computerized by the end of 1984.

In the past, stores that did the highest volume of prescription business were the first to get pharmacy computers. But with third-party workloads increasing, chain executives are rethinking their criteria for computer-system installations.

In a study conducted by *Drug*

Continued on page 40

Chains testing integrated computer/POS systems

Chain	HQ	Total # of stores	Stores integrating by year end	Stores with integrated systems
Pay Less NW	Tacoma/Seattle	160	57	38%
Eckerd	Clearwater	1,400	100	7
Medi Mart	Quincy, Mass.	54	20	37
Pay 'n Save	Seattle	156	13	8
Revco	Twinsburg, Ohio	1,700	20	1
Rite Aid	Shiremanstown, Pa.	1,100	6	.05
Big B	Birmingham, Ala.	100	*1 or 2	1-2
Thrifty	Los Angeles	540	5	1

*Test Scheduled to begin sometime in 1985
Source: *Drug Store News*

PHARMACY

DrSN Guide to Computer Hardware Suppliers

The following list of hardware suppliers represents those companies from which a pharmacy may directly purchase its hardware requirements. Most of these hardware suppliers also offer a comprehensive pharmacy software package to run on their equipment. Those that have available software packages are also listed in the *DrSN* Guide to Software Versatility. There are also companies listed in the software guide that do not offer hardware but have software packages that may be run on a variety of accessible hardware available in the marketplace.

Supplier/Headquarters	Name of System	Type of System	Entry Level Price	Storage	Backup	Special Features	Entry Level Main Memory	Processor Size	Buy or Lease	Maintenance
Apothetech Torrance, Calif.	Apothetech System II	Stand-Alone	$13,990	10 megabyte Winchester	Floppy diskette/ cartridge	Communication by Modem	256KB	16/32Bit	Buy/Lease	$175/Mo.
Autoscript Inc. Spring House, Pa.	The Autoscript System	Stand-Alone	$17,500	10 megabyte Winchester	Floppy diskette	Communication by Modem	128KB	16/32Bit	Buy Only	$120 + /Mo.
BDM Information Systems Ltd. Saskatoon, Saskatchewan, Canada	BDM Pharmacy System	Stand-Alone	$30,000	10 megabyte Winchester	Floppy diskette	Communication by Modem	96KB	8/16Bit	Buy/Lease	$196/Mo.
Bergen Brunswig Carson, Calif.	Compuphase 2	Stand-Alone	$16,995	40 megabyte Winchester	Streamer Tape	Communication by Modem	128KB	16Bit	Buy Only	—
Compute-Rx Richmond, Va.	Compute-Rx Pharmacy Management System	Stand-Alone	$16,500	10 megabyte Winchester	Streamer Tape	Communication by Modem	128KB	16Bit	Buy Only	$163/Mo.
ComCo Tex Westmont, Ill.	Digital Equipment Corp. (DEC)	Stand-Alone	$19,500	20 megabyte Winchester	Floppy diskette/ Streamer Tape	N/A	768KB	16Bit	Buy/Lease	$105/Mo.
James W. Daly Lynnfield, Mass.	Script Control	On-Line	$700/Mo.	—	—	—	—	—	—	—
James W. Daly Lynnfield, Mass.	Auto-Script	Stand-Alone	$17,000	10 megabyte Winchester	Floppy diskette	Communication by Modem	256KB	16Bit	Buy/Lease	$120/Mo.
Freedom Data Systems Newport, N.H.	Freedom Pharmacy System	Stand-Alone	$19,995	10 megabyte Winchester	Floppy diskette	Communication by Modem	128KB	8Bit	Buy Only	—
Freedom Data Systems Newport, N.H.	Personal Freedom	Stand-Alone	$8,000	10 megabyte Winchester	Streamer Tape	N/A	192KB	16Bit	Buy Only	—
G/H Systems Joplin, Mo.	G/H Plus	Stand-Alone	$21,895	35 megabyte Winchester	Streamer Tape	Multitasking	256KB	16Bit	Buy Only	$189/Mo.
General Computer Corp. Twinsburg, Ohio	The Solution	Stand-Alone	$15,500	20 megabyte Winchester	Floppy diskette	Communication by Modem	384KB	16Bit	Buy Only	$130/Mo.
Honeywell Billerica, Mass.	Compass System	Stand-Alone	$14,995	20 megabyte Winchester	Floppy diskette	Communication by Modem	256KB	16Bit	Buy/Lease	$62/Mo.
MAI Basic Four Irvine, Calif.	Pharmacy System	Stand-Alone	$26,700	14 megabyte Winchester	Magnetic Tape Cartridge	N/A	126KB	16Bit	Buy/Lease	$140/Mo.
The Mastercare Corp. Las Colinas, Irving, Tex.	Mastercare Pharmacy System	Stand-Alone	$27,000	40 megabyte Winchester	Floppy diskette	Communication by Modem	640KB	16Bit	—	1% of purchase price
National Data Atlanta, Ga.	DataStat-PC	Stand-Alone	$10,995	10/20 megabyte Winchester	Floppy diskette/ Streamer Tape	Multitasking	128KB	16Bit	Buy Only	$50/Mo.
Norand Corp. Cedar Rapids, Iowa	A-Line System	Stand-Alone	$19,500	19 megabyte Winchester	Winchester	Communication by Modem	384KB	16Bit	Buy Only	$190/Mo.
Response Inc. Jackson, Minn.	PC Pharmacist	Stand-Alone	$10,000	10 megabyte Winchester	—	Communication by Modem	256KB	16Bit	Buy Only	10% of purchase price
3PM Inc. Livonia, Mich.	Pharmaserv	Stand-Alone	$14,500	10 megabyte Winchester	Floppy diskette	Communication by Modem	128KB	16Bit	Buy/Lease	$65/Mo.
Pacific Pharmacy Computers Inc. San Diego, Calif.	ScriptWriter	Stand-Alone	$9,995	10/80megabyte Winchester	Floppy diskette/ Streamer Tape	Communication by Modem	64KB	8/16Bit	Buy/Lease	$170/Mo.
IBM White Plains, N.Y.	Series I	Stand-Alone	—	9.3/64 megabyte Winchester	Floppy diskette	Communication by Modem	16KB	—	—	—
IBM White Plains, N.Y.	System/36	Stand-Alone	—	400 megabyte Winchester	Floppy diskette/ Tape	Communication by Modem	50KB	—	—	—
IBM White Plains, N.Y.	IBM PC-XT	Stand-Alone	—	10 megabyte Winchester	Floppy diskette	Communication by Modem	40KB	—	—	—
Lad Drug Co. Rosemead, Calif.	Compuscript	On-Line	—	—	—	—	—	—	Buy/Lease	—
Anacomp Spring House, Pa.	ExNet	Stand-Alone	$14,500	12/160 megabyte	Tape	—	128KB	8/16Bit	—	—
Polaris Microcomputers Inc. Burlington, Mass.	Microscript	Stand-Alone	$11,000	20 megabyte Winchester/Floppy	Floppy diskette	—	64KB +	8Bit	—	—
Programs & Analysis Professional Health Hasbrouck Heights, N.J.	P & A Pharmacy Computer System	Stand-Alone	$24,900	Winchester/Floppy	Tape	—	64KB	8Bit	—	—
Triad Pharmacy Systems Inc. Charlotte, N.C.	Triad Pharmacy System	Stand-Alone	$15,000	10 megabyte Winchester	Floppy diskette	Communication by Modem	256KB	16Bit	Buy Only	$81/Mo.
Smith Data Processing Spartanburg, S.C.	QS/1 Pharmacy System	Stand-Alone	$12,500	10 megabyte Winchester	Floppy diskette	—	128KB	16Bit	Buy Only	—
S. B. Systems Inc. Jenkintown, Pa.	S. B. System	Stand-Alone	$13,995	10 megabyte Winchester	Floppy diskette	Communication by Modem	256KB	16Bit	Buy Only	$34/Mo.
TBL Inc. South Lake, Tex.	Pharmdata	Stand-Alone	$15,900	20 megabyte Winchester	Floppy diskette	Communication by Modem	512KB	32/16Bit	Buy/Lease	$150/Mo.
Script Systems Inc. Hasbrouck Heights, N.J.	Script	Stand-Alone	$15,900	15 megabyte Winchester	Floppy diskette	Communication by Modem	256KB	16Bit	Buy/Lease	$109/Mo

Source: *Drug Store News* survey
— = information not available

Special report: pharmacy computers and POS systems

Continued from page 39

Store News, company execs listed price controls and ease of third-party billing as the two main reasons for computers.

The study revealed 92% of the participants ranked pricing as the No. 1 reason for purchasing a pharmacy computer, while 85% ranked third-party billing as the second-most important item.

The keeping of accurate patient profiles, labor savings, and using the computer for marketing purposes ranked third, fourth and fifth, respectively. Other reasons given for purchasing a computer included, in descending order, prescription filling, inventory control, management reports, tax information, interactions, script count, consumer billing, attracting pharmacists to work in pharmacy, DEA reports and neatness of labels and receipts.

Just recently, however, a new rationale has emerged for installing computers: the usefulness in implementing a total "integrated" store management system.

At least six chains, some wholesalers, and several hundred independents are now either using or installing mini and micro computer packages "linked" to the front end.

A few chains actually have stores up and running in which a master computer—sometimes the pharmacy computer, sometimes not—interacts with all

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the other electronic equipment in the store and captures and processes the data gathered.

In some cases, the master computer is or will be the pharmacy computer. In other cases, such as Pay 'n Save and Pay Less NW, the master computer either is or will be facilitating communications between the pharmacy computers, the front end and a host computer at headquarters.

Says *ComputerTalk's* Lockwood, "The initial thrust of the pharmacy computer was production-oriented, but today the computer is being used more as a decision support system."

The point-of-sale system works via an interface—an electronic connecting device—through which information impulses, such as cash register sales, can be received and stored in the same computer the pharmacist is using to fill prescriptions. The information is held in the computer's memory until access is made in the form of preprogrammed management reports, the software that tells the computer what to do with the data.

Mark Braunstein, president of National Data Corporation, a pioneer in POS, says the new technology will enable the pharmacist to use his computer to the fullest extent.

"What has previously been available to department stores and supermarkets is now available to the drug store at a fraction of the cost," he points out.

Several chains have installed pharmacy systems, with the addition of POS in the near future a major priority.

Once installation is complete, Big B plans to hook up its National Data Corporation computer systems with special TEC America electronic cash registers that will enable communication of information between the two.

Boots Drug Stores Ltd. has installed its first of 30 standalone pharmacy systems purchased from JTS Computer Systems Ltd. of Canada.

According to Jan Weisiolek of Boots' management information services, a major consideration in choosing the JTS unit was for future POS conversion.

The role of the wholesaler in the pharmacy computer business has become clear in recent months. At least three of the top 10 wholesalers have purchased computer companies, with sights set on the pharmacy systems developed by the companies.

According to Lockwood, the drug wholesalers, which already have a solid customer base to work with, are the most likely candidates to do well selling the new high-tech computer systems.

"According to our statistics," says Lockwood, "67% of the wholesalers we polled are selling a pharmacy-computer system. And of those wholesalers not offering a system, 60% said they planned to offer one for sale in the future." *ComputerTalk's* study further showed that 71% of those wholesalers offering a system were using a national brand as opposed to an internally developed system.

In California, McKesson Corp. has unveiled a moderately priced computerized scanning system with full POS functions. The 3PM system (3PM is a McKesson subsidiary) is currently being tested in a 4,000-sq.-ft. Wrigley Drug store in Pontiac, Mich. If testing is successful, Allen Stotsky, president of the chain, plans to install the equipment in all of his nine stores.

A spokesman at Spectro Industries Inc., Jenkinton, Pa., a drug wholesaler that recently acquired S. B. Systems, says his company will begin to phase in the new computer system as soon as an existing sales contract with 3PM expires. Marketing of the new S. B. Systems computers is expected toward the end of this year.

FoxMeyer Corp., Dallas, which acquired TBL Inc., a firm that already provides pharmacy-computer hardware and software to more than 700 independent and chain drug stores, plans to provide retailers with software packages that include electronic-order entry, POS, nightly maintenance, third-party billing, and inventory control systems.

A wholesaler that took the plunge into the computer business by developing its own system rather than buying a company is Bergen Brunswig.

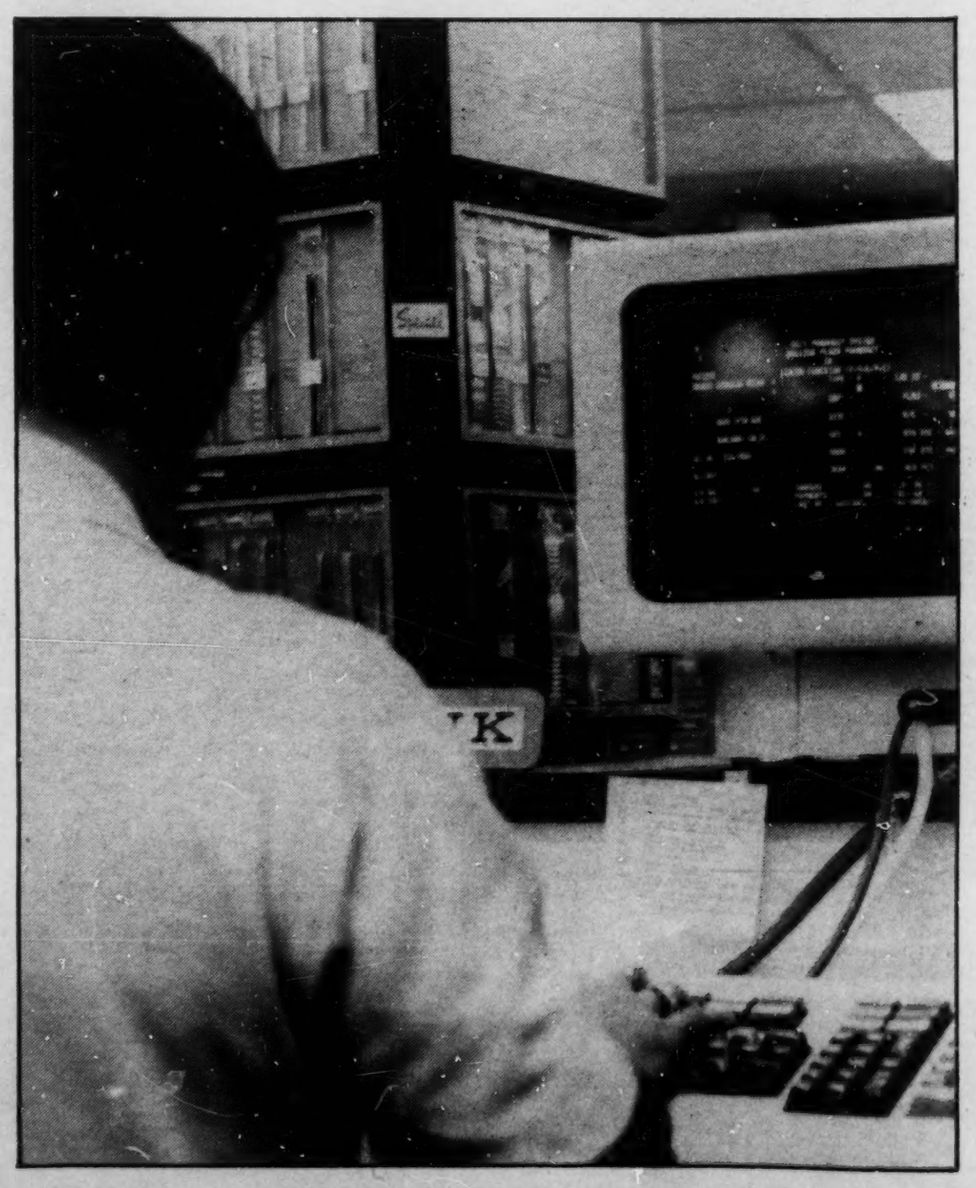
"We have the technology now to upgrade our original Compuphase computer to a state-of-the-art system," says Craig Toyama, director of Bergen's computer division.

DrSN Guide to Software Versatility

Manufacturer	Label/Receipt	Patient Profile	DRUG INTERACTIONS a) Drug/allergy	b) Drug/drug	c) Drug/illness	Third-Party Processing	Nursing Home Forms	Accounts Receivable	Payroll	Price Updates	Perpetual Inventory	Durable Medical Equipment	D.E.A. Reports	General Ledger	Accounts Payable	Maintenance
Anacomp	B	B	B	B	B	B	X	B	X	B	X	X	B	B	B	$250/Mo.
Autoscript	B	B	X	X	X	B	B	B	X-$500-$700	X-$25/Mo.	B	X-3,500	B	X-$500-700	X-$500-700	$75/Mo.
3PM	B	B	B	B	B	B	X-$1,000	X-$1,000	X-$600	X-$35/Mo.	B	N/A	B	X-$600	X-$600	$50/Mo.
National Data	B	B	X	X	X	B	X	X-$1,500	X-$600	X-$50/Mo.	B	X	B	X-$600	X-$600	$100/Mo.
G/H Systems	B	B	B	B	N/A	B	X-$1,500	B	N/A	B	B	X-$3,600	B	/x-$3,600	X-$950	$100/Mo.
General Computer	B	B	B	B	B	B	X-$3,000	B	X-$600	X-$40/Mo.	N/A	X	B	X-$600	X-$600	$60/Mo.
Honeywell	B	B	B	X	B	B	X-$995	X-$495	N/A	X-$375	N/A	N/A	B	N/A	N/A	—
Response Inc.	B	B	B	N/A	N/A	B	X-$1,500-2,000	X-$850-1,000	N/A	X-$350-500	N/A	B	B	X-$125	N/A	$350/Mo.
Software Development	B	B	B	B	N/A	B	X-$600	X-$500	N/A	X-$25/Mo.	B	X-$1,500	B	N/A	N/A	—
Mastercare	B	B	N/A	N/A	N/A	B	X	B	N/A	B	B	N/A	B	N/A	N/A	1% of purchase price
Norand	B	B	B	B	N/A	B	X-$3,000	X-$1,000	X-$460	X-$55/Mo.	B	N/A	B	X-$460	X-$460	$40/Mo.
Apothetech	B	B	B	B	B	B	X-$1,750	X-$750	N/A	X-$35/Mo.	N/A	N/A	B	N/A	N/A	$195/Mo.
Pacific Pharmacy	B	B	B	N/A	N/A	B	X-$500	X-$500	X-$300	X-$30/Mo.	B	X-$500	B	X-$300	X-$300	—
Bergen Brunswig	B	B	B	B	B	B	X	B	X	B	X	X	B	X	X	$125/Mo.
S.M.E.	B	B	N/A	X	N/A	B	B	B	X-$895+	$60/Mo.	B	X	B	X-$595	X-$595	$50/Mo.
NCR	B	B	X	X	X	B	B	B	X	X-$60/Mo.	B	N/A	B	X	X	—
James W. Daly Inc.	B	B	B	B	N/A	X	B	B	N/A	B	B	B	B	N/A	N/A	None
AutoScript	B	B	X	X	X	B	B	B	N/A	X-$700	X	X	B	X-$600-700	X-$100-700	$50/Mo.
The Condor Corp.	B	B	B	B	B	B	X	N/A	N/A	B	B	X	B	N/A	N/A	$50/Mo.
Compute Rx	B	B	B	B	N/A	B	X-$500	X-$500	N/A	X-$45/Mo.	B	N/A	B	N/A	N/A	$30/Mo.
Freedom Data	B	B	B	B	B	B	X-$500-1,000	B	X	X-$25/Mo.	B	X	B	X	X	$95/Mo.
Polaris	B	B	N/A	N/A	N/A	B	B	X-$150	N/A	X-$25/Mo.	B	N/A	B	N/A	N/A	—
Pharm Data	B	B						B	B					B	B	
Smith Data Processing	B	B	B	B	B	B	N/A	B	B	X	X	X	B	X	X	—
S. B. Systems	B	B	B	B	B	B	B	B	B	X-$30/Mo.	B	B	B	N/A	N/A	$95/Mo.
Triad Pharmacy Systems Inc.	B	B	B	B	B	B	N/A	B	X	B	X	B	B	X	X	$100/Mo.
TBL Inc.	B	B	B	B	B	B	B	B	X-$1,000	X-$40	B	X-$3,000	B	X-$750	X-$750	$150/Mo.
Script Systems Inc.	B	B	B	B	B	B	B	B	X-$300	X-$40/Mo.	B	X	B	X-$500	X-$500	$60/Mo.

N/A = not applicable
— = not available
B = included in basic price
X = extra charge
Source: *Drug Store News* survey

Special report: pharmacy computers and POS systems



PHARMACY

Chains use TV, mail to promo service

In an effort to boost store traffic, many chains with pharmacy computer systems are now heavily promoting them through TV, newspapers, direct mail and in-store displays and events.

Standard Drug, for example, acting on the assumption that its pharmacists are in the best position to promote the company's computer system, hired an ad agency to produce a commercial featuring an actor in the role of a pharmacist. To add realism to the production, Standard chose one of its pharmacy departments as the filming site.

As a result, Dick Barnes, vp of professional relations for the Richmond, Va.-based chain, believes that the consumer will associate the actor in the film with Standard's own pharmacists. "Even our pharmacists who have seen the commercial have been asking me which store we took him from to do the commercial," says Barnes.

"Our pharmacists feel they played a major role in the computer advertising campaign," he added. "They are eager to discuss the system with our customers."

In addition to the commercial, bag-stuffers and direct-mail advertising are used for the computer promotion.

Standard's direct-mail advertisements are targeted to the physician as well as to customers. "The doctors love our computer," said Barnes. "Once they are made aware of the advantages, the doctors actually become a source of promotion by passing the information along to their patients."

The physicians especially like the computer's ability to cross-reference drug interactions with the patients' medical profile to catch any potential problems before they occur.

In Oregon, Wilsonville-based Pay Less NW stresses the confidentiality of information received from the patient in its advertising.

"By telling the public through our advertisements that all personal information they furnish is kept strictly confidential," explains Tom Wilers, pharmacy systems coordinator for the chain, "it lessens the 'Big Brother' image of which so many shoppers are afraid." This point is stressed through local television and newspaper ads, as well as through in-store banners and posters.

At Gray Drug Fair in Cleveland, Irwin Livon, vp of professional services, uses his advertising to increase the consumer's awareness of the types of work the computers can do.

Livon is convinced that customers' familiarity with the computers, through constant exposure, increases a sense of security with stores that have computers. Therefore, if they switch to a pharmacy that does not have a computer, they would not be satisfied.

"It's a lot like an automatic garage-door opener," says Livon. "Nobody really thinks they need one until they buy it. Then try to take it away and see the reaction."

Currently operating 119 computers in its chain, Hook Drug, Indianapolis, advertised its pharmacy computer system on the customer's receipt.

Realizing that there was empty space on the store's label sets, Keith Johns, assistant vp and director of professional services, saw to it that the blank space was filled with a message that promotes the chain's pharmacy computer.

"We weren't using the space anyway," says Johns, "and what better time to alert the public to the advantages of the system than when they receive their receipt. This way it is always in front of them."

Features common to all computer advertising being done by the chains include:

- Shorter waiting time for filling prescriptions, especially those on third-party plans.
- The ability to give the customer a record of drug purchases for tax-reporting.
- Accurate record keeping on new as well as refill prescriptions for quicker retrieval.
- Programmed drug interactions to alert the pharmacist.

Select computer/POS interactive systems

In-store computer system	Electronic communicating POS systems	Surface interface vendor
IBM Series I	IBM registers	IBM
IBM PC XT and/or PC	TEC America	National Data Corp.
FoxMeyer's TBL	FoxMeyer's EPOS	FoxMeyer
NCR Tower 1632	NCR 2126	NCR batch transfer
Digital Equipment Corp (DEC)	Sweda L/50 Sweda L/70	McKesson connector
Data General desk top	Sanyo 580	Script systems

Source: *Drug Store News*

Special report: pharmacy computers and POS systems

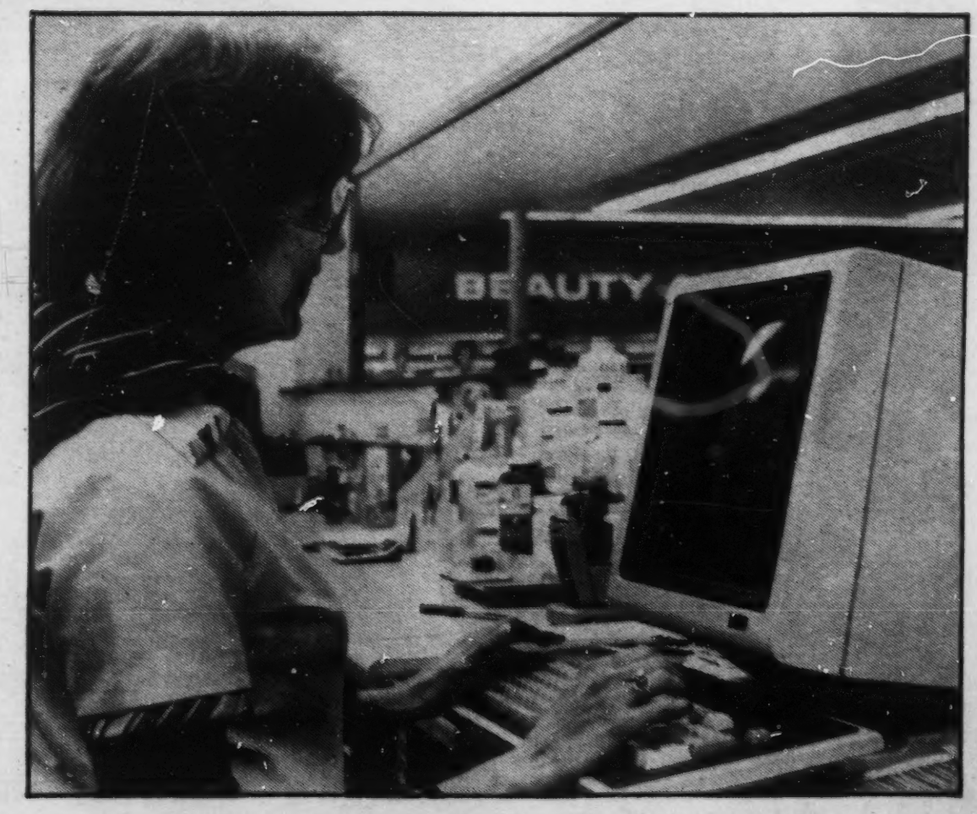
Select applications possible with integrated front-end/computer-management systems

1. Gross-margin analysis
2. Shelf-label audits
3. Inventory control
4. Shrink monitoring
5. Automatic reordering
6. Daily store delivery program
7. Direct store delivery program
8. Labor scheduling
9. Time and attendance studies
10. Electronic mail
11. Order entry
12. Word processing
13. Pharmacy management

Top wholesalers with Rx computer systems

Wholesaler	Location	Name of computer system	Customer accounts	Retail customers with Rx system
McKesson	San Francisco	3PM	15,300	1,600
Bergen Brunswig	Los Angeles	Compuphase	7,250	300
FoxMeyer	Dallas	TBL	3,700	1,200
Spectro	Jenkington, Pa.	S.B. Systems	4,000	110
Owens & Minor	Richmond, Va.	ComputeRx	800	68
McPike	Kansas City	Caps (on-line) PC-1 (stand-alone)	2,000	200
Los Angeles Drug	Rosemead, Calif.	Compuscript (on-line) PC-1	800	85

Source: *Drug Store News* survey



PHARMACY

Model computer guidelines released by Rx association

As pharmacy-computer installations continue at a breakneck pace, The National Association of Boards of Pharmacy (NABP) has released model computer regulations for review by its state board of pharmacy membership.

The model computer regulations have been written into the newly revised Model State Pharmacy Act and Model Regulations of the NABP. This document updates institutional regulations, nuclear pharmacy regulations, and includes a model institutional pharmacy inspection form.

According to NABP executive director, Fred T. Mahaffey, the model computer regulations are geared to "serve as a guideline for all NABP member states wishing to utilize such a composite in developing their own regulations."

The computer regulations were developed by the NABP Committee of Law Enforcement/Legislation after careful review of existing state regulations, model regulations developed by individual state boards of pharmacy, model language developed by the chain drug industry, input from computer industry executives and help from pharmacy associations.

Serving on the committee were: chairman and member of the Arizona Board of Pharmacy, Joseph J. Rowan; Elaine Dunn, president, New Jersey State Board of Pharmacy; Len DeMino, vp, professional services, Peoples Drug Stores, and George McFarland, senior vp, Reed Drug Company, a division of Peoples.

According to committee members, the intent of the model computer regulations is "to deal with and to define procedures that will not only comply with state and Federal regulations, but will assist to facilitate the inspection of those pharmacies employing the use of a computer."

"These regulations are not mandatory," said chairman Rowan.

The model regulation is divided into seven sections. The first two sections deal with a review of pharmacy regulations that most states are already enforcing. The remaining five sections deal directly with computer systems being used in the pharmacy department:

- Section three is devoted entirely to how sections one and two should be carried out if the pharmacy is using a computer system. Highlights of this section are:

The system shall have the capability of producing sight-readable documents of all original and refilled prescription information. These records may be read from the computer's CRT, microfiche, microfilm or a computer printout. To provide completeness and accuracy of computer entries, the pharmacist filling prescriptions entered into the computer must provide documentation in the form of a printout of each day's prescription activity or in the form of a bound log book.

The printout must be dated and signed by the pharmacist verifying the correctness of information. The documents must be maintained for five years from date of last dispensing and must be in the pharmacy within 72 hours of date of dispensing.

Should the computer be inoperative, an auxiliary record-keeping system should be established for documentation of refills. Once the system is working again, this information must be transferred to the computer to be made part of the patient's permanent profile.

- Section four states that there must be adequate safeguards or security of the aforementioned records.
- Sections five and six deal with the ability to satisfy all information requirements in prescription transfers to another store. This includes transfer of schedule III, IV, and V controlled and dangerous substances for refill purposes.

Rx computer features ranked by pharmacists

Feature	Rank	% of sample considering item important
Pricing	1	92%
Third-party billing	2	85
Patient profile	3	46
Labor savings	4	31
Marketing	5	27
Prescription filling	6	8
Inventory control	7	12
Management reports	8	8
Tax information	8	8
Interactions	9	8

Source: *Drug Store News* survey

Special report: pharmacy computers

THIS YEAR, STERNS PHARMACY WILL USE ONE

Not only that, but Sterns will gross close to one million dollars doing it.

Which is pretty amazing for a tiny 350 sq. ft. pharmacy in Reading, Pennsylvania, which was recently suffering from chronic disorganization and advanced financial ills brought on by increasing paperwork and mounting labor costs.

Sterns' powerful solution that works for all prescriptions—and just about everything else in the store—is the Basic Four® Pharmacy System. This information system has been custom-designed by MAI experts to meet the specialized procedures and needs of any size pharmacy operation.

For Sterns: It doubles the speed and efficiency of locating prescription information, including refill authorizations. • Provides instant information on prescriptions for governmental inquiries. • Updates prices, as they occur, on 6000 different drugs from 150 different sources, to allow for proper margin. • Files 50 blocks of information on each insurance, union, welfare, and other agency forms and retrieves this information on push-button demand. • Provides complete inventory tracking to identify low stock conditions and to take advantage of quantity discount ordering. • Processes monthly printouts on narcotics dispensing, required by the state. • Gives the owners of the pharmacy current statistics on the business; including types of business, grosses by departments,

Not only **treats** cold sores, but also **protects** to help **prevent** them

HERPECIN-L®

Cold Sore Lip Balm. *"It Works!"*

Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

PHARMACY

DrSN Guide to Computer and Software Suppliers

ACPI Ltd.
One Old Country Road, Suite 113
Carle Place, N.Y. 11514
212-895-3787

Alpha Microsystems
17332 Von Karman
P.O. Box 18347
Irvine, Calif. 92713
714-957-8500

Altos Computer Systems
2641 Orchard Parkway
San Jose, Calif. 95134
800-538-7872

Anacomp Inc.
1010 Kings Highway South
Cherry Hill, N.J. 08034
609-795-1515

ApotheTech Inc.
23800 Hawthorne Blvd.
Torrance, Calif. 90505
213-378-4751

AutoScript Inc.
11 Mountain Ave.
Bloomfield, Conn. 06002
203-242-2358

BDM Information Systems Ltd.
3032 Louise St.
Saskatoon, Saskatchewan,
Canada S7J 3L8
306-373-8060

Bergen Brunswig Corporation
22351 S. Wilmington Ave.
Carson, Calif. 90745
213-549-4040

Burroughs Corporation
Business Development Services
1 Burroughs Place
Detroit, Mich. 48232
313-972-7000

Cado Systems Corporation
2055 West 190th St.
Torrance, Calif. 90504
213-323-8170

Compute-RX
8235 Hermitage Road
Richmond, Va. 23228
804-262-2200
800-368-2153

CHIPS Inc.
5250 Farhills Ave.
Dayton, Ohio 45429
513-434-2955

ComCoTec Inc.
825 N. Cass Ave.
Westmont, Ill. 60559
312-325-1800

Computer Access
245 Tensaw Drive
Montgomery, Ala. 36117
205-277-3939

Computer Inc.
240 North Rock Road
Wichita, Kan. 67206
800-835-3012

Computer Plaza
3313 A State
Santa Barbara, Calif. 93105
805-687-9391

Condor Corporation
1970 Chandalar Office Park
Pelham, Ala. 35124
205-664-0454

Dataform Systems Inc.
5543 E. Boulevard NW
P.O. Box 8752
Canton, Ohio 44711
216-497-9960

Data General Corporation
4400 Computer Drive
Westboro, Mass. 01581
617-366-8911

Datapoint Corporation
9725 Datapoint Drive
San Antonio, Tex. 78284
512-699-7000

James W. Daly Inc.
66 Broadway
Lynnfield, Mass. 01940
617-595-6300

D.B.I.S. Computer Systems for Business
1 Mayfair Road
Eastchester, N.Y. 10707
212-933-4170

Digital Equipment Corporation
360 Interstate N. Parkway
Suite 560
Atlanta, Ga. 30339
800-DIGITAL

Diversified Electronics Inc.
30 Hazel Ter.
Woodbridge, Conn. 06525
203-397-2607

Drustar Inc.
3805 Marlane Drive
P.O. Box 40
Grove City, Ohio 43123
614-875-1056

Dynamic Control Corporation
587 E. Sanlando Springs Drive
Longwood, Fla. 32750
305-831-8444

ERG Software Inc.
101 Industrial Place
Lufkin, Tex. 75901
713-639-3271

Freedom Data Systems Inc.
P.O. Box 678
Newport, N.H. 03773
800-932-9000

G/H Systems Inc.
112 E. 32nd St.
Joplin, Mo. 64801
417-782-2072

General Computer Corp.
2045 Midway Drive
Twinsburg, Ohio 44087
216-425-3241

Health Care Logistics Inc.
P.O. Box 25
Circleville, Ohio 43113
800-848-1633

Honeywell Information Systems
200 Smith St.
Waltham, Mass. 02154
617-895-6000

Humanic Systems Inc.
300 East Huntland
Austin, Tex. 78752
512-454-6130

IBM Corporation
Information Systems Group
900 King St.
Rye Brook, N.Y. 10573
800-426-3333

ICL Inc.
P.O. Box 10276
Stamford, Conn. 06904
203-968-7200

Continued on page 49

Special report: pharmacy computers and POS systems

POWERFUL SOLUTION TO FILL ALL OF ITS PRESCRIPTIONS.

profits, and other essential information. • Offers current status on all accounts receivable.

For Customers: The system compares new prescriptions with prescriptions on file to issue warnings on certain possible interactions, will refer the pharmacist to appropriate text about these interactions, and can also be programmed for allergy warnings.

For Sterns' Nursing Home Section: The system writes physician's monthly medication sheets; handling 10-40 lines of information per sheet.

"Without the Basic Four Pharmacy System, the place was falling apart," comments Rich Herilla, Pharmacist at Sterns, "The time demanded to handle everything manually was not only affecting our growth, but actually eroding our day-to-day business. The efficiency provided by the system not only allowed us to regain control but actually gave us a selling edge against competition. In fact, within a few months of installation, we added a $200,000 account, directly attributable to our new way of doing business."

If your pharmacy business is giving you headaches because of operational overhead, call 714-730-2995 or write, Pharmacy Systems, 14101 Myford Road, MD 237, Tustin, California 92680.

And, we'll tell you about the powerful solution we prescribe for fast, fast, fast relief.

BASIC FOUR INFORMATION SYSTEMS DIVISION, MANAGEMENT ASSISTANCE, INC.

Changing weather means more cold sores. **Stock up now** with

Herpecin-L®

Cold Sore Lip Balm. *"It Works!"*

Write: CAMPBELL LABORATORIES, INC. P.O. Box 812-A, FDR, NY, NY 10150

PHARMACY

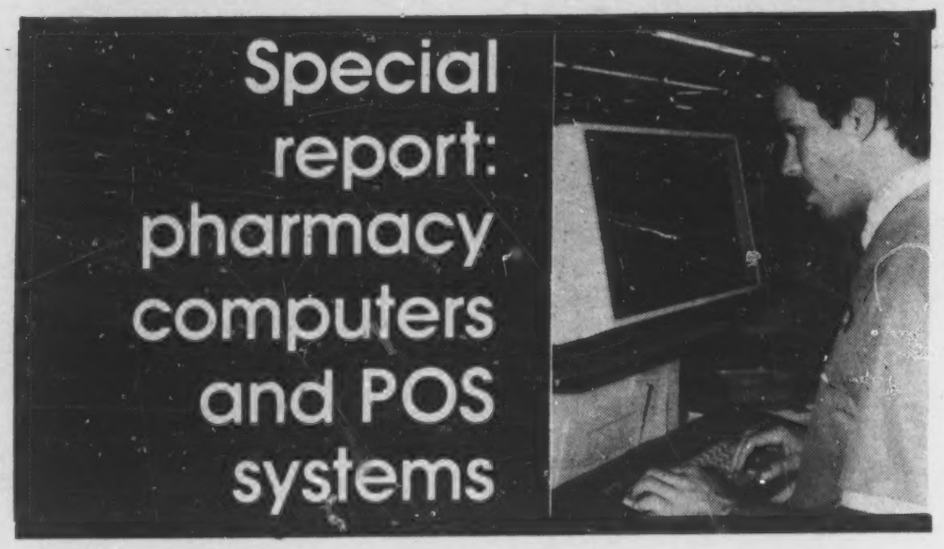
The race toward an integrated computer system

Continued from page 1

Such connectors are now available from IBM, Sweda, National Data Corp., Fox-Meyer's TBL division and McKesson's 3PM company to name but a few.

Pay Less NW seems to have won the distinction of being the first drug chain to "fully automate" (i.e., to communicate with any electronic subsystem within the store thereby fully integrating all in-store data into one common base), but other chains are either testing or preparing to test some version of an integrated system including Eckerd, Revco, Rite Aid, Thrifty, Medi Mart and Big B.

At year end, Eckerd should have about 100 of its approximately 1,500 stores tied to a communicating front-end system. The front end, in the Eckerd system, has its own price look-up file stored on a hard disk in the master cash register. That master can literally "communicate" or interact with a personal computer located in the manager's office handling scheduling and other activities plus it (the front-end) and the manager's computer can "communicate" with the personal computer in the pharmacy department. A company spokesman said Eckerd plans to automate another 100 stores by next July.



Unlike the Pay Less integration system, the Eckerd test as well as most of the other current tests are not considered "fully integrated" because there is no one master computer storing all available data in its memory and acting as a "facilitator" by which one in-store machine talks to another or the host computer at headquarters talks to the front end.

Eckerd, sources say, is also using a mini-computer, the IBM Series I, in its integrated high-volume stores where the number of pharmacy scripts processed in a single day exceeds 150.

Thrifty is also using a mini, again the Series I, to talk to its electronic point of sale as well as to perform a variety of other management programs. Thrifty, sources say, began implementing the link-up in five stores about six months ago. The chain hopes to have all 540 stores interactive in about three years.

Rite Aid is also testing an integrated front-end/computer-management system in six stores, but sources say the chain is taking its time about implementation, waiting to be sure management knows exactly what hardware it wants and exactly what software package to be developed to manage the system.

Revco, which began testing an integrated system about a year ago, is also taking its time, testing various combinations of front-end/computer-management packages in about 20 stores.

Medi Mart is currently installing upgraded point-of-sale registers and pharmacy systems in all 54 stores, and they are expected to have the system chainwide within the next 12 months or less.

Big B, the 100-unit, conventional-sized chain headquartered in Birmingham, Ala., is planning to test one or two integrated stores sometime next year. (See *Drug Store News*, Aug. 20.)

Bridging the gap

Generally most chains and independents are bridging the gap from a purely pharmacy computer system to a fully integrated in-store management system by putting a stand-alone pharmacy system in first and then building or adding on to that system later by adding "in-store communicating" electronic cash registers. Some chains, like Medi Mart, however, are putting the POS in first.

Once the operators feel they have the "right software to link the two systems and get them to do exactly what that specific operator wants them to do," they begin "tieing" or connecting the two together, allowing the master computer to control the flow of data into and out of the front end. Generally that computer then transmits the data back to the host computer at either a chain or wholesaler's headquarters.

At this early stage in the game, hard statistics are hard to come by, but most point-of-sale manufacturers estimate that currently less than 10% of all the cash registers in the drug store universe are truly upgradable to integration.

However, that is not seen as a major drawback to full-scale implementation because chain management has apparently been anticipating this development since scanning first electrified the supermarket industry.

"Will depreciate quickly"

"If you look at the types of registers most chains have been buying to date," says one source, "you'll see they are basically intermediate investments of between $800 and $1,000 each. They'll depreciate quickly and the chains will be ready to write them off when they make their final decision about which kind of in-store communicating system they should select."

The source also pointed out that most independents are even in a better position to convert to "in-store communicating EPOS."

"They haven't been buying new equipment as fast as chains and most are now in a position where they're ready to replace their mechanicals or their first generation electronic registers," he said.

"Independents are also buying pharmacy computer systems at a very rapid rate so what would be more natural then to buy a system that would let you integrate your entire store. They know it's coming. They know the chains are going to do it. They know supermarkets are doing it. How else are they going to compete?"

As far as pharmacy components go, the penetration is even deeper. By the most recent count, approximately 25% of all independent stores and 20% of all chain stores now have mini- or micropharmacy computers and that estimate is expected to exceed 30% for both segments by the end of 1984. (See *DrSN*'s special feature on pharmacy computers in this issue.) That will mean that by the end of 1984, there will be about 15,000 stores out there with pharmacy computers, about 4,000 of them chain stores.

This count doesn't even include the approximately 1,000 combination food/drug stores, some of which are already adding pharmacy department applications to the software programs for their own in-store minis.

With the costs of the hardware down to approximately $30,000 to $40,000 for a four-register drug store, the software is really the only stumbling block to a wide scale roll out of integration technology.

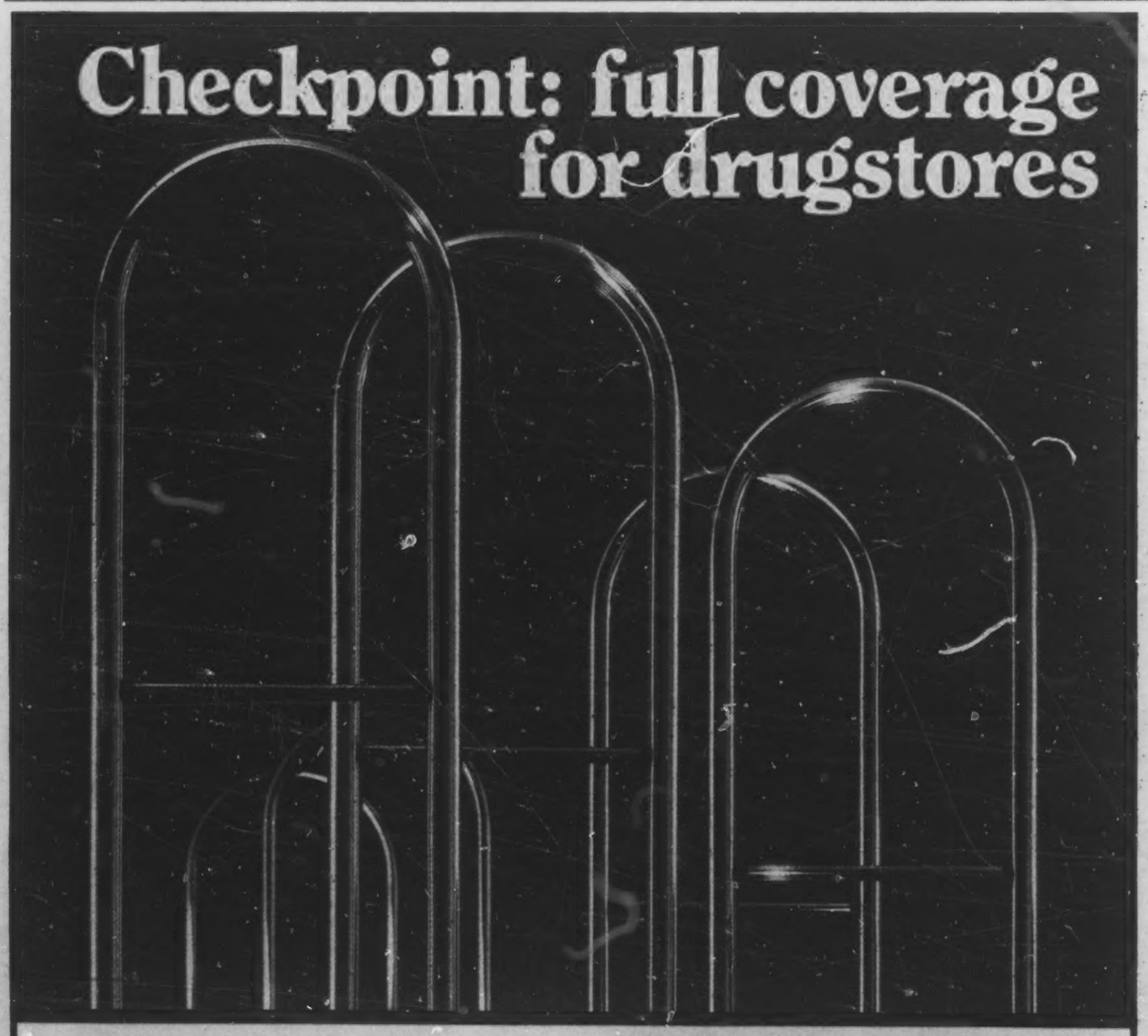
Getting the bugs out

Most retail sources say that the rest of 1984 and early 1985 will be spent "tinkering" with existing packages and with new programs until all the potential buyers are satisfied they have a system that can do everything they want it to do.

"That's how Revco and Rite Aid are proceeding," says a source. Toward the end or middle of 1985, however, sources say they expect to see enormous flurries of activities in this area as chains like Revco, Rite Aid, Eckerd, Big B, etc., make a decision on the route to follow. Once that happens, they say they expect to see the smaller regional chains quickly following up on the trend, and some sources are estimating that the industry might be "more than 50% integrated" by the end of 1990.

The approximately 38,000 stores that belong to independents and two or three store operators might even achieve penetration faster because, as sources pointed out, they do not have to wait for several dozen committees to make a decision. Most independents are pharmacists and when they see the system that they like, they can just say: "I'll take it."

The independents, too, of course, will be aided in their roll out by wholesalers. McKesson, whose 3PM computer division created the integrated package just announced at McKesson's trade show last July, sold more than 125 systems, mostly to independents, right on the floor of its show. Sources say there were literally hundreds of other requests for additional information.



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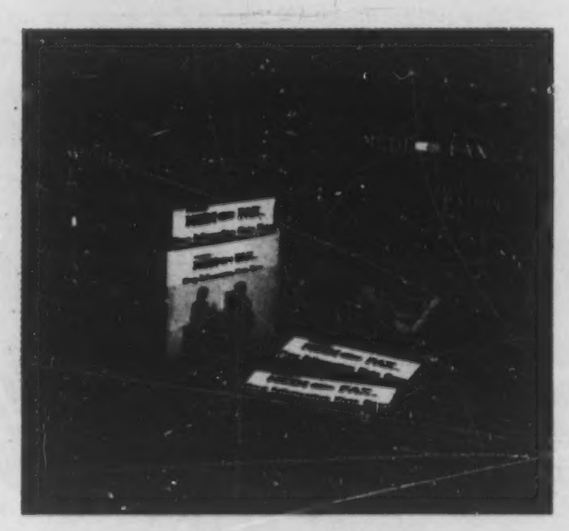

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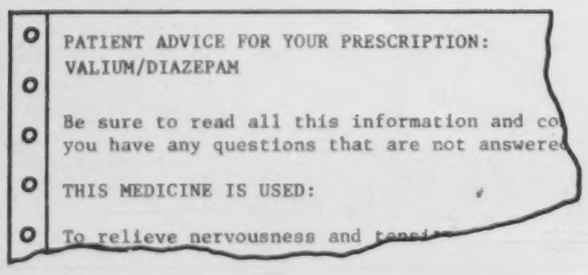
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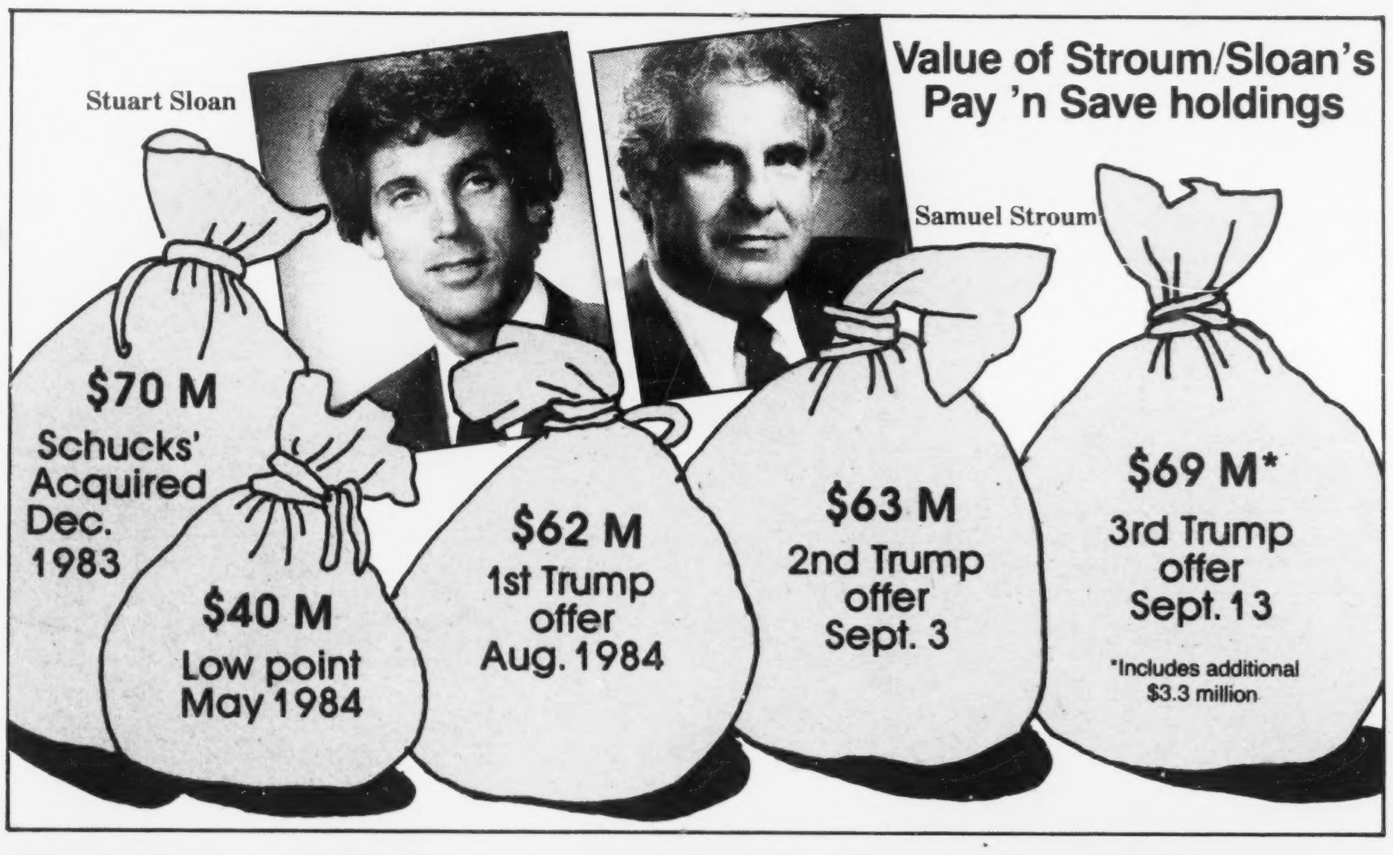
Sweetened offer ends Pay 'n Save buyout fight



By Lou Karney

SEATTLE — A group of private investors led by the Trump Group and 13 Pay 'n Save officers have averted a threatened takeover battle for the company led by its two biggest shareholders.

The investment group has agreed to pay Samuel Stroum and Stuart Sloan, the shareholders who had challenged the group's acquisition of Pay 'n Save, an additional $3.3 million for the option to buy their 2.8 million shares at $23.50 a share.

The per-share price is $1.50 higher than the group's original offer of $22. The group has also agreed to pay Stroum/Sloan's legal and other expenses, which are expected to be in the six-figure range.

Ninety per cent of the investment in the deal is Trump's. Of the remaining 10% being put up by the 13 Pay 'n Save officers, one-half will come from chairman Monte Bean, vice chairman Cal Hendricks and president Ron Erickson.

The buyout is thus not expected to have much effect on the present management, except that, as a private company, it will no longer have to operate in the glare of public shareholder scrutiny.

On Sept. 17, the NLAC Corp., a Trump affiliate designated to carry out the offer, began the cash tender offer for all outstanding shares at $23.50 per share.

The offer was conditioned on, among other things, obtaining a minimum of eight million shares, or approximately 52.5% of those outstanding or issuable under currently exercisable options.

Continued on page 45

Probe of Revco buying habits: Odd Lot charges 'insignificant'

By Jim Ricchiuti

TWINSBURG, Ohio — Findings from the investigation into the purchasing procedures at Revco D.S. failed to turn up the ammunition that Odd Lot principals Bernard Marden and Issac Perlmutter hoped they could use at the drug chain's annual meeting.

Revco said the special committee of outside board members and Peat, Marwick, Mitchell & Co. auditors concluded that the allegations lodged by the two dissident shareholders "were in many cases insignificant, contained extensive errors factually and in large part dealt with matters where business judgment could have gone either way at the time the decision was made."

Although Revco said none of the Odd Lot allegations had a "financial impact on the company," the chain did concede that there were problems in its purchasing department. The drug chain said the investigation revealed a "lack of coordination" in the purchasing, scheduling and shipment verification of some promotional and seasonal merchandise.

According to one source, some of the problems were traced to Revco's advertising circular program, which Revco introduced for the first time last year. "It was the first year and they had some problems," the source said. "They may have had more problems than they needed to have."

Acting on the recommendations of the committee, Revco also said that it was discontinuing all purchasing from Joseph DeKama, a health & beauty aids supplier headquartered in

Continued on page 45

DeKama suit names Revco

PARAMUS, N.J. — Joseph DeKama, the H&BA sales representative and distributor whose name surfaced in connection with the investigation into buying practices at Revco, has begun a $10 million antitrust lawsuit against the drug chain and two of its major shareholders.

DeKama, president of Northside Development Co. Inc., charged that the Twinsburg, Ohio-based chain and shareholders Isaac Perlmutter and Bernard Marden were attempting to drive him out of the business of distributing overruns, closeouts and discontinued merchandise.

A suit filed in Federal District Court in Manhattan alleged that Revco, at the instigation of Perlmutter and Marden, had approached manufacturers who had used DeKama and his

Continued on page 45

Perry bristling at Rite Aid's Mich. acquisition

PONTIAC, Mich. — As Rite Aid steps up its drive into Michigan, Perry Drug is considering legal action against the Shiremanstown, Pa.-based company for acquiring a small chain that Perry thought it had locked up.

Two months ago, Perry signed a letter of intent to purchase Remes Drug in Grand Rapids, Mich., a six-store chain that does about $7.2 million a year in sales.

However, Perry recently got a letter from Remes notifying the management that discussions had been terminated, according to chain spokesman Berl Falbaum.

Perry subsequently discovered that Remes had signed a deal with Rite Aid.

"We are considering all alternatives, including legal," said Falbaum. "We considered the Remes deal with Rite Aid a breach of our good-faith bargaining."

According to Falbaum, the major details of the Perry/Remes deal had been worked out, and officials were surprised to find that Rite Aid was also dealing with the chain.

Despite the letter of intent, a legal expert told *Drug Store News* Perry may not have a case because such letters often include escape clauses.

The purchase of Remes is just one of several moves that Rite Aid is making in its growing penetration of the Wolverine

Continued on page 45

Shadows cast by the elevated train tracks (visible in background) give Walgreen's new Bronx store a Chicago loop feel.

Walgreen expansion track leads to Bronx

By Gail Appleson

NEW YORK — Walgreens' recent opening of a store in the Bronx heralds what some industry sources feel is just the beginning of the chain's powerful emergence in this market.

The first of four stores planned for three New York City boroughs—one each in the Bronx and Brooklyn and two in Queens—is Walgreens' first major thrust into this metropolitan area in two decades.

Officials of Walgreens, which now has 1,006 stores nationally, say that if the stores do well, there could be 10 to 15 new openings in this market annually.

Although Walgreens opened its 1,000th store in Chicago with great fanfare last month, some observers feel that the quiet New York opening may have been a more significant event. They expect the Deerfield, Ill.-based chain to rebuild its presence in New York City with much greater strength after its slow retreat from the market.

The chain, which has continued to operate stores in Hempstead, Kingston, Valley Stream in New York State and the Manhattan Port Authority bus terminal in New York City, chose in the 1960's to give up leases as they ran out in other state locations. The pull-out was attributed to high rents, costly labor and excessive pilferage. Industry sources also said Walgreens lacked some of the prime locations that would have allowed it to take advantage of the dense population.

Walgreens' officials had announced the New York push during the chain's annual meeting early this year and said they felt they now knew how to handle the difficult market.

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More competition seen in wake of patent bill

WASHINGTON — Top Congressional leaders and Reagan Administration officials joined representatives of the nation's generic drug manufacturers in predicting a sharp increase in pharmaceutical industry price competition following final passage of compromise ANDA/Patent Term Restoration legislation late last month.

Health and Human Services Secretary Margaret Heckler, for one, predicted that the new law will "save $1 billion in consumer costs over the next 12 years" by allowing generic pharmaceutical houses to obtain fast-track marketing approval for scores of me-too versions of "new" (post-1962) drugs.

Generic Pharmaceutical Industry Association president William Haddad forecast a 100% increase in "the number of low-cost generic drugs in the marketplace," and predicted that the legislation will "cut the price of many popular drugs in half."

Under the final bill, upward of 150 off-patent single-source drugs with total sales of some $4.5 billion annually are now likely to face competition from lower-priced generic versions that will become "approvable" under the streamlined "Abbreviated New Drug Application" (ANDA) process.

Among the prime targets for generic competition:

- SKF's Dyazide, which went off patent in 1980 and generated sales of nearly $177 million in 1982;
- Wyeth's Ativan ($55 million in '82) which lost its patent protection last January;
- Upjohn's Tolinase, which produced sales of more than $49 million in '82 after its patent expired in 1979;
- Roche's Dalmane, off patent since Jan. 17 ($48 million in annual sales);
- Lilly's Keflin ($43 million) which went off patent in 1982, and
- Searle's Norpace, a $38 million drug which lost its patent protection in 1982.

See related story page 21

If generic manufacturers capture only 10% of the market for these sole-source pharmaceuticals that are already off patent, the total market for generic drugs will increase from less than $1 billion at present to between $2 billion and $3 billion annually, GPIA projections indicate.

In addition, Haddad released a list of 44 other major brand-name pharmaceuticals which he described as prime candidates for generic ANDA treatment as soon as their patents expire over the next few years.

Among the top sellers in this group: Ayerst's Inderal ($247 million), Merck Sharpe & Dohme's Aldomet ($152 million) and Pfizer's Diabinese ($102 million)—all of which are due to go off patent this year.

Roche's Valium ($219 million) and Upjohn's Motrin ($173 million), both of which go off patent in 1985, will also be subject to quicker generic price competition as

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—News in brief—

Jewel-Pay Less trial set

SAN FRANCISCO — In the latest fallout from the bitter 1979 battle for control of Pay Less California, Jewel Cos. has won the right to a full trial in its claim for damages against Pay Less NW, the company that acquired the California chain.

Jewel originally sued Pay Less NW in late 1979, but in June 1982 the Wilsonville, Ore.-based drug chain won a summary judgment from the U.S. District Court of Northern California.

Jewel then appealed to the U.S. 9th Court of Appeals in San Francisco, and that court has now reversed the decision and ordered a full trial.

Jewel, recently acquired by American Stores, claims it is entitled to damages because the Chicago-based food/drug chain had signed an agreement with the board of directors of Pay Less California before Pay Less NW made its offer. Pay Less NW subsequently completed the acquisition of the 61 California stores.

Jewel's suit for damages did not specify any dollar amount.

Regardless of the outcome of the case, the acquired California Pay Less stores will remain part of the Pay Less NW chain.

Rite Aid buys Jays

SHIREMANSTOWN, Pa. — Rite Aid has acquired the five-store Jay's Drug Stores Inc., based in Lockport, N.Y. The stores are located upstate, near Buffalo, where the chain already has a strong presence. Rite Aid is currently on a strong acquisition streak, bringing more than four new chains under its belt in the last three months.

Second discount Pathmark opens

GLEN BURNIE, Md. — Supermarkets General Corp. has opened its second deep-discount Pathmark Super Drug Store here. Modeled after its successful 22,000-sq.-ft. unit in Dundalk, Md., the new store offers discounts up to 50%.

Pathmark's entry with a deep-discount unit into this market has caused a price war, with Giant and Safeway both slashing prices to meet Pathmark head on.

Bortnick retires from Giant

LANDOVER, Md. — Morris Bortnick has retired from his post as sr. vp professional services at Giant Food. Bortnick was with the food/drug combination chain for 23 years.

Replacing Bortnick is Emanuel Richman, also a 23-year employee of Giant. Richman's title is director of professional services.

Four new Fay's stores

LIVERPOOL, N.Y. — Fay's Drug has unveiled four new stores, bringing to 111 the total number of stores operated by the chain. The new stores are in Norwich, Cheektowaga and Saugerties, N.Y., and Eynon, Pa.

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Vol. 6, No. 21 October 1, 1984

American Stores to sell Rea and Derick drug chain

By Faye Brookman

NORTHUMBERLAND, Pa. — Just months after American Stores executed the $1.15 billion takeover of Jewel Cos., the Salt Lake City-based retailing giant has reportedly put its Rea and Derick drug stores up for sale.

Companies that have been mentioned as possible suitors for the 145-store chain include Peoples Drug (backed by the financial clout of parent Imasco), Rite Aid, Fay's and Weis Markets, a 112-store supermarket chain based in Sunbury, Pa.

The proposed sale of Rea and Derick comes on the heels of American's agreement to sell its 33 Alpha Beta supermarkets and one drug store in Arizona to Abco Markets for about $55 million.

Analysts view the sell-offs as steps to raise cash needed to retire the debt accrued when American purchased Jewel at a sweetened price of $75 per share.

"I'm sure American's balance sheet has deteriorated," explained Fred Wintzer Jr. of Lehman Brothers. "It is only natural that once two companies merge, some things will be sold off."

Added Mesirow Co.'s John Landschulz, "Sam Skaggs [chairman of American] may have decided that now that he has Osco, he doesn't need Rea and Derick."

Retailers, suppliers and analysts familiar with both operations said Rea and Derick was a logical divestiture because the chain of small (under 10,000-sq.-ft.) drug stores located in rural areas of Pennsylvania does not fit into American's overall game plan.

Although Rea and Derick operates five 19,000-sq.-ft. superstores modeled after Skaggs super centers, most of the stores are considerably smaller than the huge units Skaggs prefers. And, Rea and Derick's markets of eastern and central Pennsylvania don't mesh with either American's strong Southwest and West Coast markets or Jewel's West Coast, Midwest and New England areas.

"Last year," explained one competitor, "they opened those huge stores resembling Skaggs. But out here, even if everyone in the area spent $10, a store couldn't hit $1 million in sales per year."

Although suppliers familiar with Rea and Derick stores claimed the units are profitable, it is reported that sales do fall under industry averages. By most estimates, the stores generate an average of $900,000 a year. These numbers, they said, weren't good enough for Skaggs.

"We heard that Sam flew to Pennsylvania and told management that the company just hasn't been able to do with Rea and Derick what it has been able to do with other divisions," related one competitor.

Continued on page 46

New H&BA's spark interest at Assoc./Affil. buyer show

NEW YORK — A host of new products ranging from fur coats for Cabbage Patch Kids to pump toothpastes greeted buyers at the Associated/Affiliated Chain Drug Stores Exposition last month.

Those attending the three-day event prowled the three show floors of the Omni Park Central Hotel in search of last-minute Christmas items as well as spring products. With a strong spring and summer behind them, most buyers came ready to fatten lean inventories. Several executives said they were trying to discover unique promotional items.

"I'm looking for that one item that will pay the way for the show," quipped the president of one Southern based chain. "I always find it."

Among the new products piquing retailers interest was Kimberly Clark's new virus-killing tissue called Avert. Jim Whitticom of Carls Drug, for example, said his chain will test the new tissue in all of its stores.

Another health and beauty aids category generating interest was pump toothpastes. Check-Up is already nationally distributed, while Colgate announced plans during the show for a countrywide rollout this month. Lever Brothers was also showing its new Aim pump, which will shortly be appearing on drug store shelves.

"I'm excited about the pumps," said John Mirmelstein of Gray Drug Fair. "Check-Up has done well and we're looking forward to Colgate and Aim pumps."

Mirmelstein was also interested in two new products from L'Oreal; a new hair color and new face makeup. The face makeup will debut in March 1985, the hair color sometime later next year.

L'Oreal's Visuelle face makeup will consist of Makeup Fluide, Powder Blush and Pressed Powder. At least $10.7 million will be spent backing this line, which will retail at prices falling above typical drug store fare.

Several retailers expressed concern about the high price tag, but did point out that L'Oreal has been successful with lip and nail items carrying a high-end price.

"It will be interesting to see how the makeup will do," said Whitticom. "The eye colors have slow turns and face makeup is even slower."

Joe Lamia, vp sales of L'Oreal's new cosmetics group, didn't deny that face makeup turns slowly, but noted how big a business it is. "It is such a huge category—$448 million—and no one has been spending against it until now."

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Bergen agrees to buy Allen Co.

LOS ANGELES — Bergen Brunswig Corp. has signed an agreement to buy the Allen Company, an Orlando, Fla.-based distributor of pharmaceuticals, for an undisclosed amount of cash.

The deal was scheduled to be completed Oct. 1.

The acquisition of the company, which serves central and south Florida, marks Bergen Brunswig's first entry into the Sunshine State.

"As part of our corporate strategy, the company had previously announced its intention to expand into the Florida marketplace and continue its policy of penetration of the Sunbelt," said Emil P. Martini Jr., chairman and ceo of the nation's second largest drug wholesaler. "We are pleased to be able to do so with the acquisition of a company that has the fine reputation and growth record of the Allen Company."

Allen generated sales of about $70 million for the year ended June 30. The company operates an 80,000-sq.-ft. distribution center in Orlando.

FINANCIAL

Rx sales lead way to banner quarter at Fay's

LIVERPOOL, N.Y. — With hefty increases in prescription sales leading the way, Fay's Drug Co. reported record results for the second quarter and six months ended July 31.

Earnings for the quarter increased 28% to $2.2 million, or 16¢ a share, from $1.7 million, or 13¢ a share, in the corresponding quarter last year.

Sales for the quarter rose 16% to $87.4 million from $75.3 million a year ago.

For the first half, net earnings were up 39% to $3.6 million or 26¢ a share, from $2.6 million, or 20¢ a share, in the same period last year.

Revenues for the half increased 18% to $170 million from $143.8 million.

Henry A. Panasci Jr., chairman of the company, said a key element in the performance was the increasing sales generated by the chain's pharmacy departments. "During the first six months of our fiscal year," Panasci said, "Fay's pharmacists filled almost three million prescriptions, producing sales of $35.6 million, an increase of 24.6% in prescription sales over the same period last year."

Panasci also said that "the maturation of new stores opened during the last two years, coupled with an increased sales base resulting from recent store openings, continues to increase Fay's penetration of its existing markets."

He added that the company's "strong financial position and favorable operating results" would enable Fay's to continue its aggressive expansion program.

Top five gainers

Company	2-week % change	Closing price 9/10
Pay 'n Save	+31.21	$23.13
A. H. Robins	+14.66	16.63
Pay Less NW	+ 5.95	22.25
Perry	+ 5.34	17.25
Eckerd	+ 4.92	24.00

Top five losers

Company	2-week % change	Closing price 9/10
Genovese	−12.98	$14.25
Forest Labs	−12.17	12.63
Reid Prov Labs	− 8.00	2.88
Newport Pharm	− 6.67	3.50
Carter-Wallace	− 5.97	23.63

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		From 08/24/84 - 09/10/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct			Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																											
Adams Drug	ADG	17.00	15.50	16.50	-.38	-2.22	24.88	11.00	.28	.50	-.89	-34.07	1.74	.62	F	55.3	40.0	2.4	9.5	.04	.2	09-10-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	38.50	36.25	38.00	-.50	-1.30	44.00	26.50	-.13	1.09	-.77	-29.88	3.61	.87	Q	30.3	54.0	1.5	10.2	.64	1.7	06-20-84	7983.7	117.9	1.5	12.39	15.26	0184
Begley Co	BGLY	15.50	15.50	15.50	.00	.00	22.00	14.50	-.23	.09	3.41	.00	1.47	1.46	N	NC	-10.0	1.4	10.6	.68	4.4	07-16-84	56.6	.8	1.8	11.50	17.52	0383
Big B	BIGB	10.88	10.38	10.38	-.63	-5.68	14.50	8.88	-.01	-.62	-2.87	-14.87	.53	.14	Q	33.3	23.0	3.0	18.5	.00	.0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Drug Sys	DRGS	4.25	3.75	4.13	.00	.00	7.50	3.25	.06	2.02	1.09	-13.29	.56	-.16	F	-22.2	NC	2.1	7.4	.00	.0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	25.25	22.25	24.00	1.13	4.92	29.38	20.25	.10	-.89	-.29	-47.16	1.91	.31	N	16.5	6.0	3.1	11.0	1.00	4.2	09-10-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	10.88	10.38	10.75	.13	1.18	14.50	8.38	.02	.19	-1.15	-27.50	.60	.15	Q	31.2	56.0	2.6	17.1	.20	1.9	06-18-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	16.50	13.75	14.25	-2.13	-12.98	20.50	11.50	-.38	.10	5.78	-5.79	.96	.31	Q	43.6	79.0	2.0	14.0	.20	1.4	06-14-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	22.50	21.75	22.13	.38	1.72	29.50	18.50	.13	-.14	-2.05	14.55	2.01	-.07	S	-3.5	8.0	2.7	11.6	1.00	4.5	07-09-84	320.5	8.7	1.7	2.75	10.38	1283
Longs Drg Strs	LDG	40.50	39.25	40.00	.13	.31	49.75	34.00	-.17	.21	3.06	-48.25	3.43	.45	Q	14.6	11.0	3.0	11.5	1.28	3.2	08-28-84	1214.4	36.4	1.9	.00	20.32	0184
Pay N Save	PAYN	23.13	17.25	23.13	5.50	31.21	28.75	14.38	.72	1.38	10.92	-13.58	2.02	-.23	S	-13.2	.0	2.5	15.4	.60	2.6	08-20-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	22.25	20.63	22.25	1.25	5.95	22.25	14.00	.24	.94	1.41	-.74	1.35	.30	Q	27.0	4.0	2.9	15.8	.34	1.5	09-17-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	17.75	16.25	17.25	.88	5.34	22.38	12.38	.29	.20	1.21	-34.31	1.02	.37	Q	50.0	11.0	1.6	15.5	.24	1.4	08-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	32.88	28.63	29.88	1.00	3.46	37.50	24.00	.46	-.32	4.28	-8.07	2.54	.41	F	19.2	28.0	4.2	11.8	.80	2.7	08-20-84	2227.5	93.4	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	24.13	23.13	23.75	-.38	-1.55	26.00	17.50	-.20	.67	-4.18	-36.08	1.47	.29	Q	23.5	30.0	5.1	15.6	.41	1.7	07-13-84	1223.3	62.2	2.3	.49	7.68	0284
Thrifty Cp	TFD	18.00	17.13	17.50	.25	1.45	20.50	11.50	.07	-.27	-1.32	-18.47	1.13	.27	N	25.7	19.0	1.9	13.3	.52	3.0	08-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	39.38	38.75	39.13	.00	.00	42.00	28.63	-.19	.25	-4.15	-15.54	2.24	.61	N	29.7	33.0	2.9	14.7	.72	1.8	08-13-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	23.38	22.63	22.88	-.25	-1.08	31.88	19.00	-.14	-.07	1.31	-23.68	1.60	.21	N	13.2	36.0	1.4	12.7	.32	1.4	07-26-84	1452.0	20.0	1.6	1.22	9.99	0883
Durr Fillauer	DUFM	14.50	14.00	14.00	-.50	-3.45	17.75	10.25	.35	-.10	-1.95	-42.18	.80	.09	S	12.0	21.0	1.9	16.7	.16	1.1	08-20-84	263.2	5.0	2.3	2.03	6.80	1283
McKesson Cp	MCK	37.63	36.75	37.50	.50	1.35	44.25	32.38	-.10	.16	-1.69	-34.25	3.25	.04	F	1.2	1.0	1.5	11.5	2.40	6.4	08-28-84	4260.0	63.0	1.4	10.45	30.25	0384
Foxmeyer Cp	FOXM	25.50	23.75	25.25	-.25	-.98	27.75	20.00	.00	.81	-1.24	40.61	1.27	.33	F	35.1	51.0	1.1	19.9	.00	.0	00-00-00	464.2	5.2	2.0	3.95	11.86	0384
Ketchum	KCH	14.50	13.75	14.38	-.25	-1.71	21.00	10.50	.09	.55	-8.54	-13.33	.80	-.09	F	-10.1	53.0	.3	18.0	.00	.0	09-26-83	245.1	.8	1.5	5.87	5.68	0483
Owens & Minor	OBOD	15.00	14.00	14.25	-.75	-5.00	18.50	11.25	.17	-.10	-1.37	-37.60	1.41	.17	S	14.5	10.0	1.2	10.6	.36	2.5	06-06-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	23.88	22.25	22.63	-1.00	-4.23	24.50	15.50	.02	.11	-2.14	-16.67	1.78	.49	Q	35.0	54.0	1.8	12.0	.14	.6	07-03-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	48.75	44.75	46.00	-1.00	-2.13	53.38	38.25	-.11	-.30	2.64	17.82	2.86	.51	S	19.6	26.0	11.9	14.8	1.20	2.6	07-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	53.25	50.38	50.75	-2.25	-4.25	55.75	48.00	-.11	-.47	.19	8.64	4.00	.44	Q	12.0	16.0	12.9	12.4	2.64	5.2	08-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	17.25	15.75	16.13	-1.00	-5.84	31.00	13.25	-.22	-.42	-.99	1.46	1.45	-.01	S	-.7	22.0	11.8	12.0	.33	2.0	08-31-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	26.50	26.50	26.50	.00	.00	29.13	25.00	-.16	.06	-1.95	-7.69	3.28	.33	F	11.1	16.0	10.0	8.1	1.00	3.8	08-28-84	238.2	23.9	2.5	2.35	17.84	0383
Bolar Pharm	BLR	32.00	29.75	30.38	.25	.83	32.00	17.50	.33	-.94	3.67	-32.84	1.15	.13	S	13.0	46.0	19.2	26.9	.05	.2	02-10-84	25.5	4.9	4.9	.00	4.76	1283
Bristol-Myers	BMY	48.75	46.75	47.50	-.75	-1.55	50.38	38.63	-.19	.25	-.78	-18.25	3.00	.47	S	16.9	19.0	10.4	14.7	1.60	3.4	06-29-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	25.50	23.13	23.63	-1.50	-5.97	26.38	19.38	-.04	-.72	-1.38	13.09	2.37	1.81	F	323.2	22.0	5.7	10.0	.48	2.0	07-26-84	323.1	18.4	2.4	1.69	21.87	0384
Cooper Labs	COO	22.50	21.13	21.63	.63	2.98	27.00	10.38	-.40	-.76	-2.29	5.18	NA	NA		NA	NA	NA	NA	.12	.6	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	13.75	12.25	12.63	-1.75	-12.17	37.25	11.25	-.60	.67	2.84	54.98	.54	.08	Q	16.6	56.0	14.8	22.5	.00	.0	01-14-83	19.6	2.9	8.3	.28	5.42	0384
ICN Pharm	ICN	8.50	7.88	8.38	.25	3.08	11.00	4.88	.22	1.75	5.87	3.15	.22	-.09	Q	-28.1	43.0	5.1	36.4	.00	.0	00-00-00	37.0	1.9	4.3	.20	4.34	1183
Key Pharm	KPH	16.75	15.25	16.00	-.88	-5.19	22.59	10.63	.20	.21	-.31	-12.28	.51	.20	S	50.0	78.0	14.8	26.7	.16	1.0	09-10-84	127.3	18.8	2.1	1.16	1.67	1283
Lilly Eli Co	LLY	58.00	56.00	56.63	-.25	-.44	68.38	53.00	-.17	-.04	-.58	26.96	6.13	.96	S	17.2	12.0	15.1	8.7	2.90	5.1	08-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.13	2.63	2.88	-.13	-4.17	3.75	2.00	-.38	-1.09	-.27	9.49	-.49	.28	S	NE	-110.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	39.63	36.50	37.25	-1.75	-4.49	48.00	27.25	-.33	-.32	4.57	12.23	1.24	.46	F	58.9	55.0	10.6	30.0	.40	1.1	09-12-84	226.4	24.1	2.5	.05	5.93	0683
Merck & Co	MRK	84.88	81.75	83.00	-1.13	-1.34	104.63	78.25	-.35	.36	2.88	-11.73	6.10	.53	S	9.0	7.0	13.9	13.1	3.00	3.6	08-31-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	82.75	80.50	80.88	-2.25	-2.71	84.50	60.00	.12	.07	.33	-20.72	5.15	1.25	N	25.7	17.0	5.2	13.3	1.76	2.2	08-27-84	1509.2	78.5	1.4	8.90	32.79	0683
Mylan Labs	MYLN	29.75	25.63	25.75	.00	.00	35.13	6.09	.73	-2.41	4.06	32.79	.40	.24	Q	77.4	98.0	12.7	46.8	.03	.1	08-01-84	36.9	4.7	5.4	.21	1.52	0384
Newport Pharm	NWPH	4.00	3.38	3.50	-.25	-6.67	9.63	2.75	-.52	-1.72	1.85	-24.60	-.21	-.18	F	NE	9.0	-23.5	NE	.00	.0	00-00-00	8.5	-2.0	3.7	.24	1.12	0483
Pfizer Inc	PFE	36.75	34.88	35.88	-.75	-2.05	44.50	29.38	.04	.49	-.62	17.74	2.73	.53	S	22.4	18.0	11.9	12.4	1.32	3.7	07-26-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.13	2.88	2.88	-.25	-8.00	4.75	2.75	-.52	.00	4.15	24.66	.10	.03	N	30.0	56.0	6.1	22.1	.05	1.7	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	17.75	14.38	16.63	2.13	14.66	29.38	12.00	.47	1.12	6.79	-26.12	2.40	-.29	S	-12.7	15.0	10.3	8.4	.76	4.6	08-20-84	563.5	58.2	3.2	1.36	14.69	1283
Rorer Group	ROR	32.63	31.63	32.63	.25	.77	34.25	25.25	.05	.26	1.87	25.47	2.02	.28	S	15.3	10.0	8.9	15.5	1.08	3.3	08-06-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	9.75	9.50	9.75	.00	.00	21.50	8.88	-.09	.18	1.30	46.96	.52	-.52	F	-50.0	-1.0	2.3	18.8	.32	3.3	09-12-84	171.7	4.0	1.9	4.83	11.14	0384
Searle, GD	SRL	50.00	46.38	49.13	2.13	4.52	55.50	37.50	-.05	.24	-2.18	9.61	2.39	.18	Q	7.5	13.0	12.6	19.1	.52	1.1	08-07-84	946.0	119.0	2.4	3.62	14.85	1283
Squibb Corp	SQB	46.88	45.13	45.88	-.50	-1.08	55.63	37.50	-.29	.11	.71	23.80	3.31	.38	S	12.2	11.0	9.8	13.2	1.44	3.1	08-13-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	26.25	24.88	25.13	-.50	-1.95	29.63	23.50	-.27	-.70	.87	49.22	2.24	.15	S	6.9	7.0	7.2	10.9	1.16	4.6	08-09-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	48.75	41.88	48.50	1.75	3.74	61.50	37.75	-.25	1.84	5.06	48.50	4.30	.25	N	6.0	32.0	17.2	11.0	1.60	3.3	08-13-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	23.75	21.50	21.88	-1.00	-4.37	26.50	12.75	-.10	-1.55	-4.78	-3.79	1.65	.78	S	55.7	70.0	11.0	10.0	.40	1.8	06-11-84	149.4	16.5	3.2	.00	5.85	1183
Upjohn Co	UPJ	53.75	52.00	52.75	-.13	-.24	72.25	45.00	.05	.16	-2.34	4.73	5.28	1.59	S	35.8	3.0	8.1	8.8	2.56	4.9	07-02-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	33.75	31.63	31.88	-1.88	-5.56	36.75	27.63	-.12	-.63	-2.25	-15.48	2.51	.51	S	23.3	1.0	6.5	11.8	1.48	4.6	08-06-84	3108.3	200.5	1.9	7.53	17.75	1283
Zenith Labs	ZENI	16.75	15.75	16.75	.25	1.52	18.00	12.00	.05	.39	-1.25	-4.21	.73	-.43	S	-45.2	56.0	7.8	32.2	.00	.0	00-00-00	32.1	2.5	4.6	1.12	5.12	1283

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

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MERCHANDISER

Fashion boosts off-season sunglass sales

The flurry of trendy new entries into the $1 billion sunglass market is transforming the category from a seasonal business to a year-round stellar performer.

In chain drug stores, buyers said all-year merchandising of the category should lead to a 15% sales increase over the $157.6 million produced by sunglasses last year.

"We've found the business is strong all year because people want fashion glasses, even for skiing," said Anna Iacono, buyer for Douglas Drug Inc., Providence, R.I.

Recent figures from A. C. Nielsen Co. support the strong upward sales trend in the category. For the first four months of 1984 vs. 1983, overall sunglass sales jumped 27% in dollars and 41% in units; that's compared with only a 7% dollar increase and a 1% unit gain from 1982 to 1983. Growth in drug stores was a healthy 21% in dollars, 25% in units.

To keep sales climbing, buyers said they are supporting the department all year instead of pulling the racks after Labor Day. However, some chains, such as Pontiac, Mich.-based Perry Drug, move the display to the rear of the store until the prime season.

"Drug chains are getting smarter," said Rodney Hayes, purchasing administrator for the Bonneau Company. "They realize that one-third of the business is now done from August to January—what was once considered off-season."

Sunglasses have become a fashion item, buyers said, because of movies and TV stars sporting new styles. Even *Time* magazine spotted the current craze and recently dubbed sunglasses "the essential accessory."

Now that the business has become so trendy, retailers are critiquing manufacturers by their fashion offerings. One company receiving high grades for its fashion entries is Opti-Ray with its Flash Fashion line. According to Buddy Sklar, sr. vp, the line was so successful last year that it has been extended from five sku's to 11. "There will be new cords and coordinated colors, new styles and gradients—it'll be wild," Sklar told *Drug Store News*.

A survey of drug chains and suppliers revealed that the following styles should command sales for 1985:

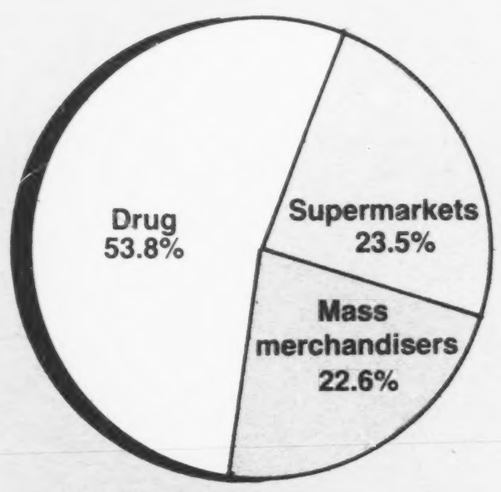
- Glasses with leashes or cords. This style, reminiscent of the glasses librarians wore, was inspired by TV star Tom Selleck and later picked up by fashion magazines and department stores. Drug stores were quick to add them to the mix and sold both glasses with cords and the cords separately. For 1985, the look will still be strong, however, new colors will dominate sales.
- Tinted lenses and those with different colors.
- Beveled, rimless glasses. This style will continue to be a popular hit. Also, buyers pick any frame with an Italian influence as a winner for 1985.
- The "punk" look. These frames, often in black, are gaining in popularity thanks to movies such as Risky Business and The Blues Brothers.
- And, several buyers peg Opti-Ray's new licensed agreement with Coppertone as a winner. The product, Coppertone Sun Protectors by Opti-Ray, will be ultraviolet, impact resistant and available in fashion tints.

In addition to fashion, buyers look for a price/quality ratio in the sunglass category. "Today's customer wants quality and wants to feel the price he or she paid is worthy of the product," explained a buyer from a Southern chain.

Sklar at Opti-Ray said the most popular price points are currently between $8 to $12. Research from Packaged Facts, a New York-based research

Continued on page 16

Drug stores still produce majority of mass-market sunglass sales



Source: A. C. Nielsen Co.

Drug chains find niche with small food depts.

At Walgreens president Fred F. Canning doesn't fear the onslaught of the giant food/drug combos. He is convinced that there's still plenty of room for the relatively small, conveniently located drug store with a limited food mix that appeals to busy shoppers. Walgreens has more than 100 of these mini-combo stores.

Cincinnati-based SupeRx also subscribes to the theory that hurried shoppers prefer the in-and-out convenience of a drug store. The chain now operates 28 stores with 25% of the selling space devoted to convenience foods. SupeRx will even add a snack bar complete with a microwave and fountain in select locations.

And Wellby Super Drug Stores in Portland, Me., just upped its commitment to food with the opening of a new 7,500-sq.-ft. store housing a 2,500-sq.-ft. convenience food department. Wellby plans to open four more such stores this year. Previously, Wellby devoted only 1,000 sq. ft. of space to foods.

These are three examples of drug chains that are reacting to today's lifestyles by adding more food to the drug store mix. Buyers report that sales per square foot in food can exceed $125 and volume can account for as much as 20% of store sales.

Why are drug stores enjoying bustling food sales? There are several reasons, but an underlying message is that the increasing demand for one-stop shopping is fueling growth of convenience food sales.

"I think more and more chains are getting involved in convenience foods," reasoned K&B's Mark Blandford. "It enhances the one-stop shopping image."

Indeed, more drug chains are enlarging food selections. To date, chains including Begley, Longs, Peoples, Perry, Carls and Douglas have introduced convenience foods into the mix. In total, drug chains produced better than $1 billion in food and beverage sales in 1983. By most indications, sales should rise 12% in 1984, buyers said.

Bob Upthegrove at Perry said his food sales have been strong, especially in markets where there are no large food stores. "We're in a unique situation in Michigan. There's so much grocery competition here that a lot of food stores have closed down. We've added groceries in those markets and it has been successful." Perry's department, he added, averages 32 ft. to 48 ft.

For Perry, it makes sense to open a convenience food department in locations where supermarkets have folded. What guidelines can other drug chains rely on to target the best food locations? A representative of SupeRx devised the following points for a location with food:

- Ample parking or a downtown location with a dense population.

Continued on page 16

MERCHANDISER

Fashion boosts off-season sunglass sales

Continued from page 1s
firm, breaks out sales by price points like so: 40% of sales are in the $5 to $7.49 range; 26% in the $7.50 to $9.99; 18% in the $10 to $14.99 range; 7% in the $15 to $19.99, and 9% in the $20 and up price range.

Service important

A third factor a retailer considers when selecting a sunglass company is service. The racks must be kept clean and stocked. Also retailers do not want to be saddled with items that won't move.

A survey of drug chains found that most carry at least two, and sometimes three brands of sunglasses. In some chains, the buyer splits his or her stores between companies.

"Then we compare them to see who gives us the best service and where we get better turns and gross margins," said one buyer who is currently reviewing several lines before making a final decision.

Indeed, the search to boost margins and improve the turns, which average two the three times per year, is paramount in the category. Drug stores account for about 25% of the total sunglass business but must sacrifice the hefty 45% margins during price promotions in order to compete with other retailers. To date, most retailers have relied on half-price promotions which boost sales, but sap margins.

Better promotions sought

"I wish someone would devise a better promotion than half-price," lamented one buyer. "No one is making anything on that promotion."

He suggested more couponing and import programs to boost margins. And, several manufacturers offered item advertising as an alternative. "Promote the fashion looks on the ads," one supplier said.

Buyers did cite several vendors as improving the support for the category. For example, Corning was applauded for its $3.6 million promotion of its Chameleon line. Others selected Visual Scene's co-op advertising program as a power hitter. CVS, for example, teamed up last May with Visual Scene for a television and print ad blitz that "was very successful," according to a CVS manager.

Although coupon programs and co-op ad dollars are adding to the profitability of the category. Several chains prefer import programs.

Perry Drug, for example, opted for its import program four years ago and now stocks only its own line on racks of 340 frames in all stores. The chain prefers this method because it yields greater control.

"Everyone in our markets discounts sunglasses at least 40%," said Peterson. "The import program helped us improve our profits."

Drug chains find niche with small food depts.

Continued from page 13
- Convenient store hours.
- A mix catering to the rushed shopper including key categories such as bread, dairy, luncheon meats and other staples in smaller to medium sizes (8 oz., 15 oz.).
- The ability to get people in and out fast.

Other buyers added that a full commitment is required to make the department viable. Buyers recommended using a supplier capable of making adjustments to the mix store-by-store.

As far as pricing, chains like to keep prices slightly above supermarkets, yet below convenience stores. Overall margins fall in the 20% to 30% range.

However, chains did point out that national brand items are promoted heavily as loss leaders to draw traffic.

Added Blandford, "People like brand items. We sell more Heinz ketchup than we will sell a no-name at a savings."

The hottest new items in convenience food departments now, according to buyers, are the soft cookie lines.

"We're really excited about the new cookies," said Upthegrove. "There is heavy couponing about to break in our market."

To date, several manufacturers, including Duncan Hines, Nabisco, Frito Lay and Keebler, have debuted soft-baked cookies.

Concluded the representative of SupeRx, "These are a perfect drug store food item—there is high demand, they fit on the shelves just fine, margins are good and the products are quality items."

Raleigh, N.C.-based Kerr Drug offers shoppers three price points: Bonneau, the top of the line price at up to $16, its own label tagged Soft Shadow priced $6 to $12 and a generic line retailing between $2.99 and $5.99.

The food department at a glance

- 1983 sales ... $1.1 billion, up 7.7% over 1982
- Typical gross margins 20% to 30%
- Department turns ... anywhere from 10 to 60 times per year
- Best-selling sizes ... smaller jars such as 8 oz. or 15 oz.
- Current best sellers ... dairy items, snacks including nuts, beer and wine, cake mixes, ketchup, soft drinks and juices
- Average commitment ...110 sku's in dry groceries, 137 in beverages, 202 snacks and 118 in paper goods

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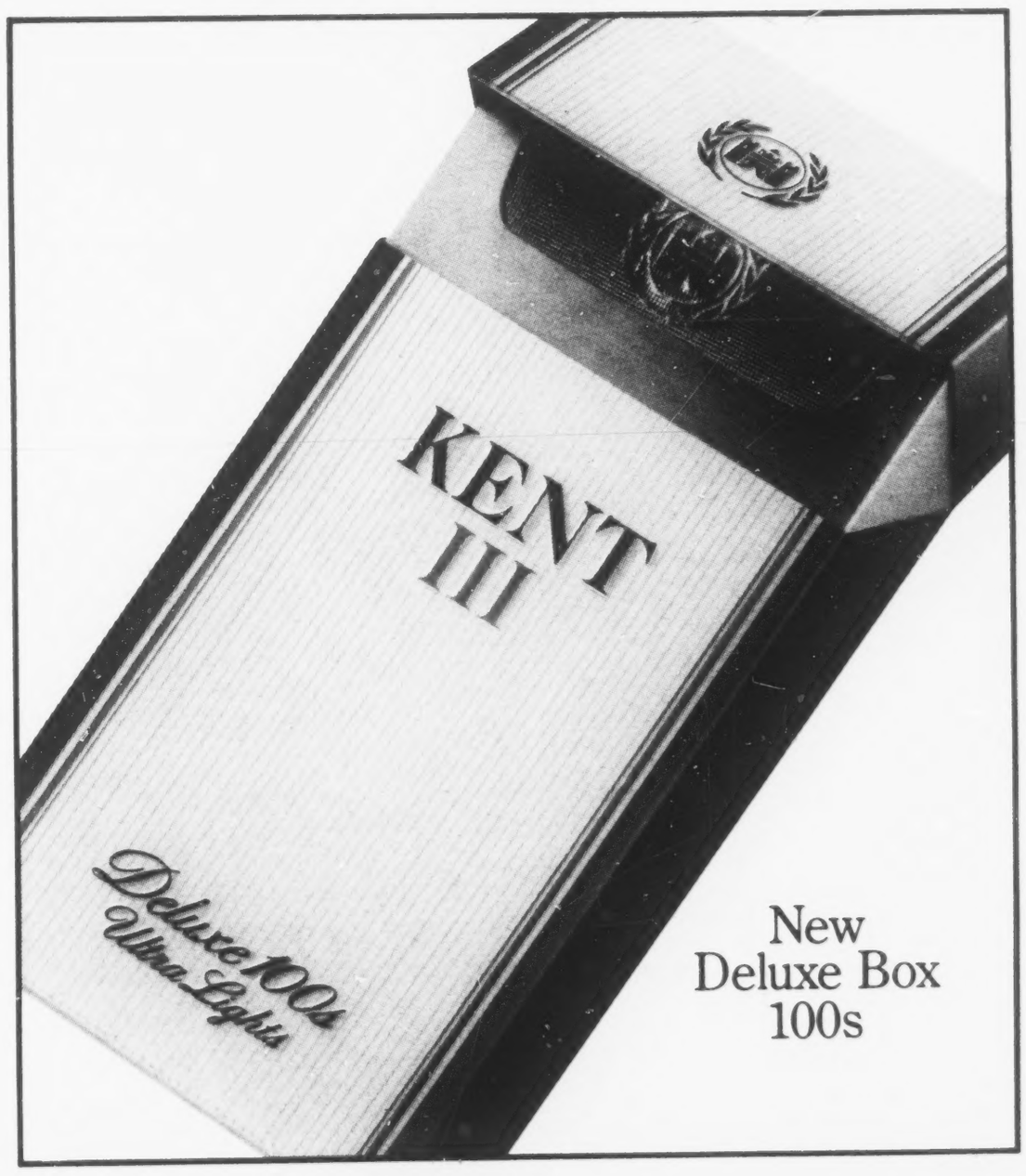

Kent III, the most successful ULT line extension, strengthens its selling appeal with a prestige new package: Deluxe Box 100s.

100 millimeter box is the fastest growing segment in the industry, up 21% in 1983. And, it's forecasted to double its share of the market in less than 5 years.

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Vendor debuts lower-priced halogen flashlights

Editor's note: With this issue, Drug Store News *introduces a new column written by associate editor Jim Ricchiuti covering all general merchandise categories. Ricchiuti would appreciate any suggestions for material to be covered in his column,* Sundry Thoughts.

The era of high-tech flashlights is upon us. So say flashlight manufacturers, who in the past year have turned out a number of trendy, new products that promise to add some zip to this staple drug store category.

The latest entry is from Union Carbide's Eveready division. Fresh from the successful introduction of two halogen lanterns last year, Eveready has now extended the line to include three new halogen flashlights.

Although consumer acceptance to the halogen lanterns was strong, many drug chains were reluctant to take the line on last year because of the high price points. However, company officials believe drug retailers will be receptive to the new halogen flashlight line.

Garvin Van Doren, product manager at Eveready, said the halogen flashlights will carry suggested retail prices starting at $9.59, depending on the sku. The low-end halogen will be promoted at between $4.99 and $5.99, which includes two alkaline batteries. And with the $1 mail-in coupon with proof of purchase, Van Doren believes any consumer price sensitivity will be allayed.

Duracell also has been actively pursuing the premium light market. Introduced in March 1983, the company's Durabeam line is currently being carried by a number of chains including the Long Island, N.Y.-based Genovese Drug Stores and Standard Drug in Alexandria, Va.

According to Tom Rosenthal, vp of marketing at Standard, the Durabeam lights have sold "surprisingly well." Rosenthal, who also said he would be cherry picking from the new Eveready line, thinks consumers are willing to pay a little more for a premium flashlight.

However, Bob Barry, vp of marketing at the Van Nuys, Calif.-based Drug King, said that although many of the new flashlights are "gorgeous looking," he said the price points may still be a little to high for drug stores. "But we may take on some of the lower price items and put them in for Christmas," Barry added.

Jim Ricchiuti

SUNDRY THOUGHTS

Buyers have also been taking a long hard look at the Workhorse, the new sleek-looking flashlight from Rayovac. Rayovac, based in Madison, Wis., has mounted an aggressive campaign to revitalize its product line following a change in ownership.

Introduced earlier this spring, the Workhorse has been given high marks both for its innovative design and packaging. A spokesman at Genovese Drug Store, which took on two sku's as a test, said that the 18-piece prepack displays "have done pretty well."

Will the new premium flashlights be as significant a factor in the $300 million lighting product market as manufacturers contend? The jury is still out. Buyers remain divided over manufacturers' claims that sales of premium-priced flashlights will grow by more than 25% during the next few years. Many drug retailers are waiting to see how the high-tech lights do at Christmas before they commit themselves to the lines on a permanent basis.

* * *

Look for a new engine lubricant designed to restore lost compression to aging automobile engines. Dubbed Restore (appropriately enough), the new product was test marketed in a number of southern Florida retail outlets, including several Walgreen and Eckerd drug stores. Pic N Save, headquartered in Jacksonville, Fla., also had the product on the shelves in a number of its stores.

Test results appear to have been favorable because Restore is currently being rolled out nationally. The key ingredients to the oil-based product are minute particles of combined copper, silver and lead that fill scratches and grooves in engine cylinders. Restore comes in three sku's—for cars with four, six and eight cylinders.

A national advertising campaign is scheduled to break this fall. The print portion of the campaign will include such books as *Car and Driver, Road and Track* and *Popular Mechanics*. A spot television campaign also is in the works.

Among the drug chains that may take the product on a chainwide basis in January are Eckerd, Revco and Walgreens. Skaggs Drug Centers and Skaggs Alpha Beta combos have already committed to carry Restore.

* * *

Everybody's waiting to see how Kimberly-Clark's new germ-killing tissue is going to do in test market. Known as Avert, the new tissue kills cold and flu germs. The tissue is treated with citric acid, malic acid and sodium lauryl sulfate, which the company says are highly effective against most viruses.

Avert will be tested in a number of drug chains in Rochester, Buffalo and Albany, N.Y. Among the chains that have signed on to the product are Fay's, Carls, Rite Aid and CVS.

Suggested retail price for the three-ply box of 60 tissues will be $1.39 in Buffalo and Rochester. In Albany, the tissues will sell for $1.09.

Kimberly-Clark will support Avert with an extensive multimedia advertising campaign that will include television, print and direct-mail couponing.

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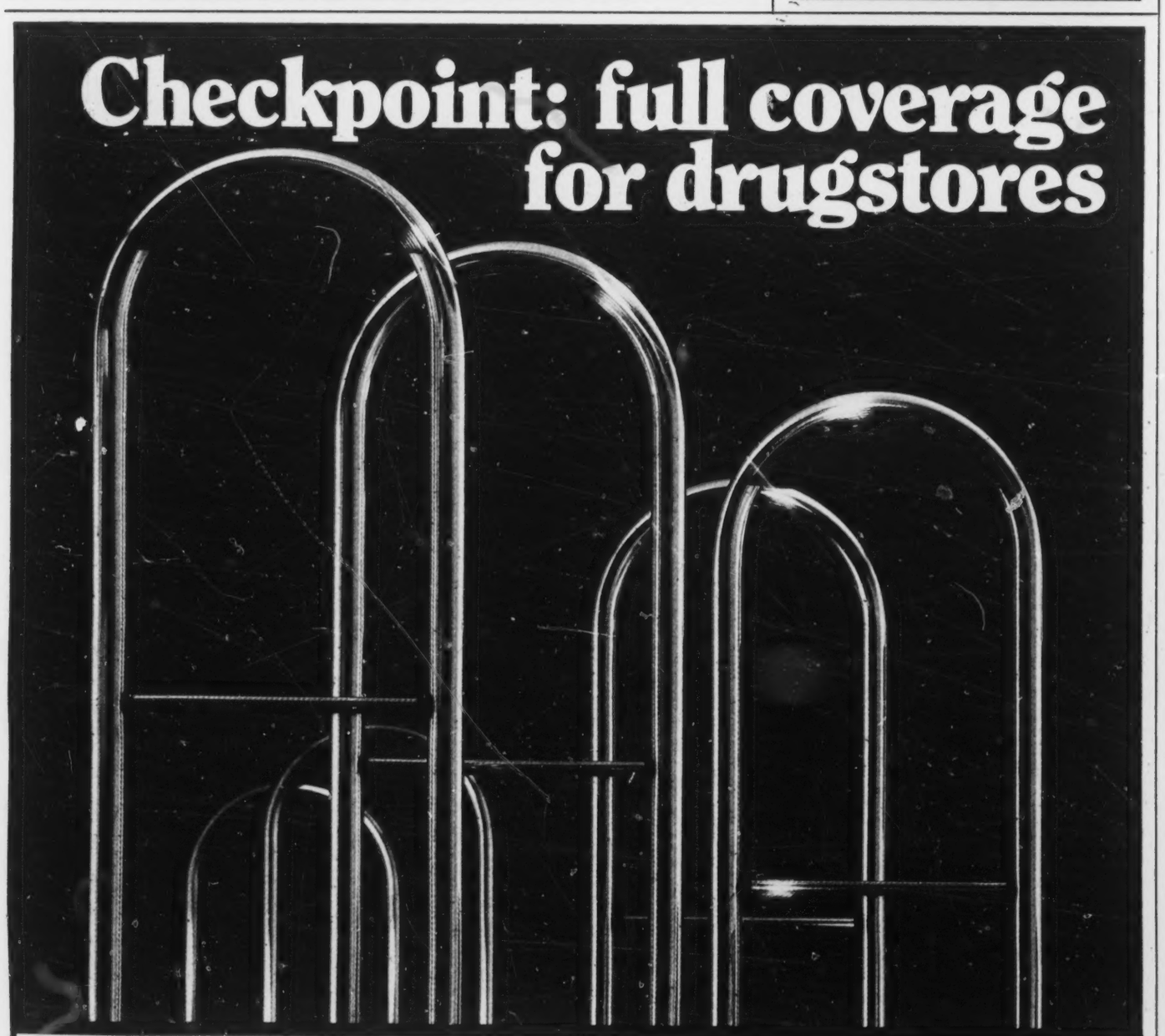
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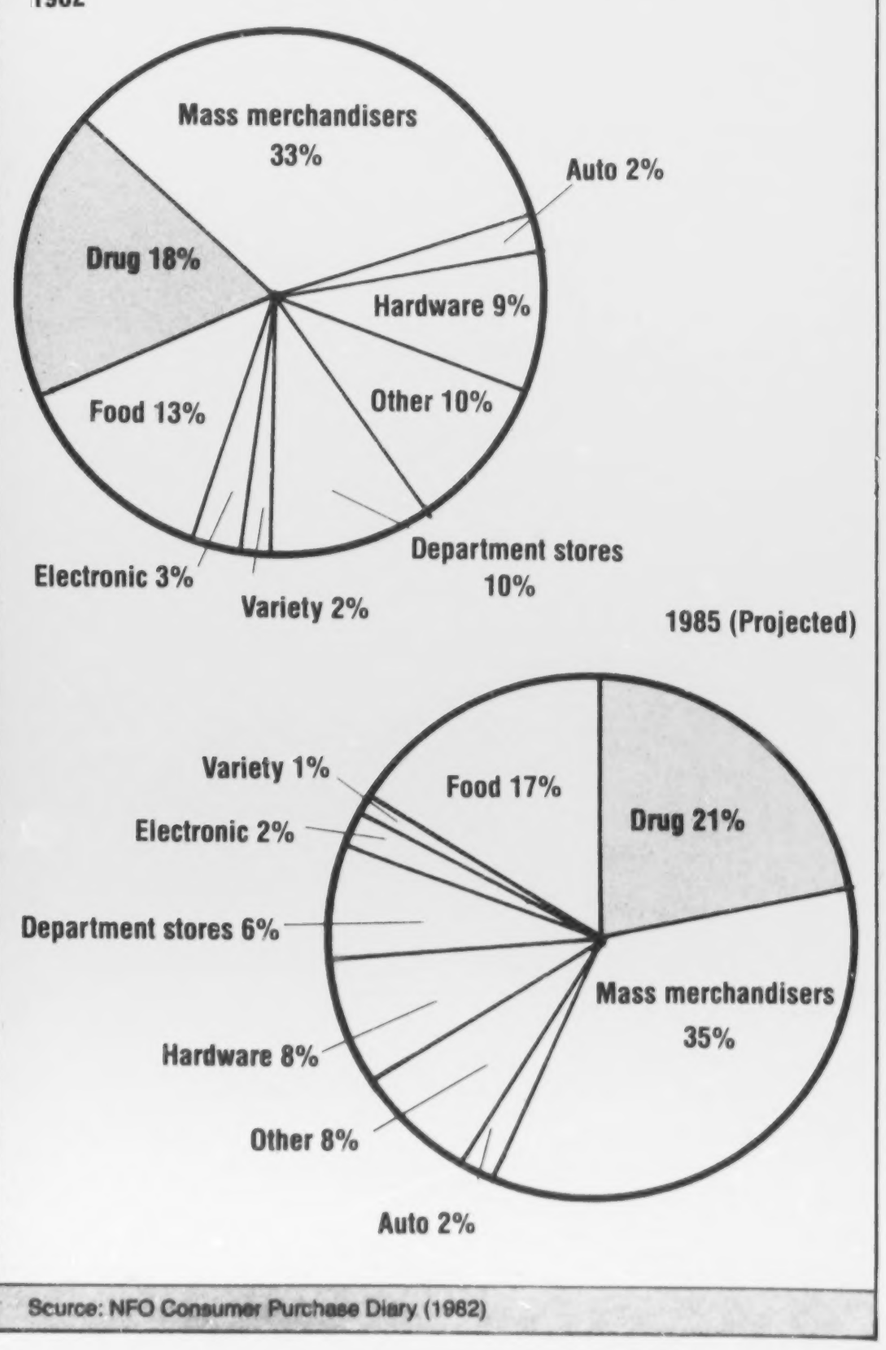
Flashlight sales by retail outlet



Scurce: NFO Consumer Purchase Diary (1982)

MERCHANDISER

Auto part ads revised as user profile changes—p. 9

PHARMACY

Special Report: 1984 Store Detailing Study—p. 19

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Vol. 6/No. 22 | Serving the Retail Drug Store Industry for 55 years | Published by Lebhar-Friedman Inc. | October 15, 1984

Eckerd earnings rebound as sales top $2.6 billion

By Bruce Buckley

CLEARWATER, Fla. — With its drug store company leading the way, Jack Eckerd Corp. returned to strong earnings growth in fiscal '84 after two years of depressed results.

The corporation reported that net profits for the year ended July 28 increased 19% to $85.4 million as sales rose 13% to $2.62 billion. As a result, the company's net-to-sales ratio moved up to 3.3% after bottoming out in 1983 at 3.1%.

"This has been a year of significant improvement for Jack Eckerd Corp.," said Stewart Turley, chairman and president. "In the new 1985 fiscal year we anticipate additional progress in our operating companies' performance as we continue to sharpen the merchandising and operating programs in our markets."

Among the operating companies, the biggest percentage gain was turned in by the drug company, which contributed 86% of corporate sales. Eckerd Drug's operating profit surged 23.5% to $168.8 million, but that performance was coming off a year in which heavy promotional activity to meet sales goals cut into gross margins and kept earnings flat.

The drug company's results helped to offset an operating loss at American Home Video and an earnings decline at JByrons junior department stores.

Analysts attributed Eckerd Drug's potent performance mainly to a management change which led to improved operating and merchandising strategies.

"I think the change helped, but obviously they were going up against a weak year," said Bob Roth, an analyst at Merrill Lynch. "But part of it has to be attributed to [Harry] Lambert. He did a great job in turning around JByron's. He's got a good reputation in the industry both in merchandising and operations."

Susan Schmierer of L. F. Rothschild said that after Harry Lambert was brought in to head up the drug company in the summer of 1983, "you could feel the change in internal momentum."

"The management change was a reinforcement of the direction the company should have been moving in all along," she said. "They became more price-conscious, they got more inventory in the stores, and in general they perked up everything in the drug stores."

The analyst agreed that the change during the year to centralizing buying from a regional approach was one of the moves that had, and will continue to have, a positive impact on the chain's bottom line.

"The buying is better," she said. "It's more coordinated and less costly. It's one of the things they should have done all along. They finally got around to it."

Industry sources agree that

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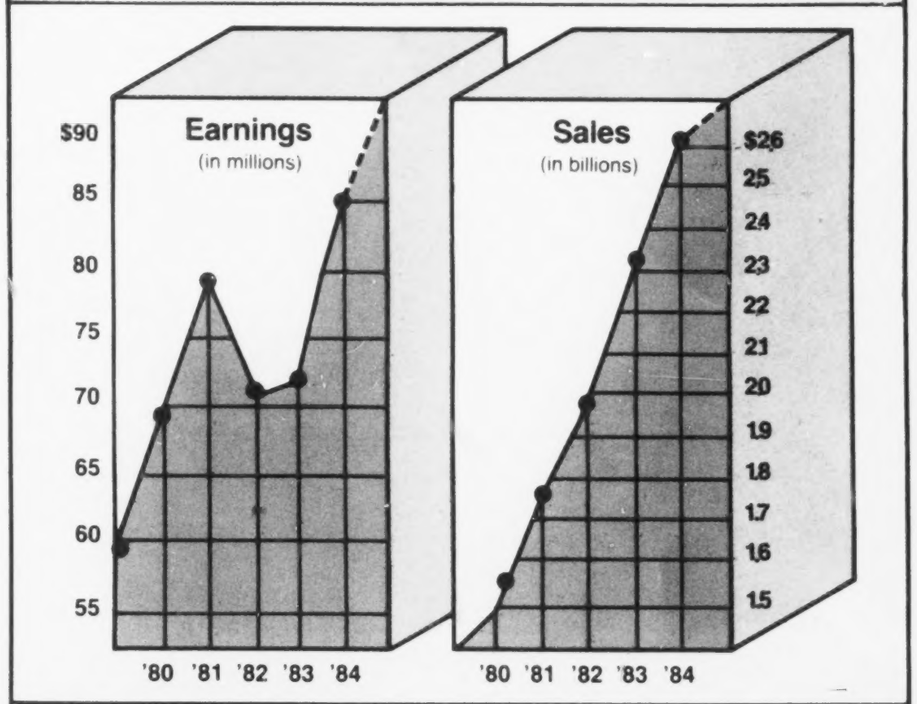
Eckerd financial picture improves



Source: Company reports

Sav-On opens smaller California combo

Sav-On has turned the usual drug-to-food ratio on its head in its new down-sized Atwater, Calif., combo. Instead of 60-40 food to drug, Atwater is 55% drug, 45% food. There are other departures as well, including the layout of the upscale cosmetics department shown above. For the full story, see page 3.

Pa. installations complete

Rite Aid readies POS scanners

SHIREMANSTOWN, Pa. — Rite Aid launched its plan to install point-of-sale scanning systems chainwide.

The chain has installed a few dozen of the 400 LS-7000 hand-held laser scanners, purchased from Symbol Technologies, in stores in the Philadelphia and Harrisburg, Pa., areas. Because installation of scanning is tied to training (it takes at least a week to train store personnel), roll out will depend upon training capacities. Rite Aid hopes to have the system chainwide by 1988.

According to Martin Binder, Rite Aid's vp Management Informations Services, the cost of equipping stores for scanning is "spiraling" downward and is now under $20,000 per store. He said Rite Aid selected hand-held devices because of the efficiencies this system offers drug stores.

"We are totally committed to hand-held scanning as the primary scanning vehicle for POS applications," Binder said. "We plan to install some 7,000 hand-held laser scanners in 1,500 to 2,000 stores by 1988."

He added Rite Aid research showed that Symbol's gun has the highest successful read rate of universal product codes.

Hand-held laser scanners have some advantages over slot scanners in smaller drug stores because such stores generally process fewer items per transaction, according to Jerry Gulley, vp sales and marketing for Symbol. Therefore, the primary goal of scanning becomes to gain movement information rather than increase checkout productivity.

Also, hand-held laser scanners are more cost-efficient for drug stores because they do not require expensive conveyor belts to move items past the slot scanning devices. And finally, the new hand-held devices are more accurate than previous readers.

As Rite Aid installs scanners, the chain will start eliminating individual pricing on items.

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Dworkin bullish on Revco but analysts debate future

TWINSBURG, Ohio — With Revco's dissident shareholders conspicuous by their absence, chairman Sidney Dworkin dominated last month's annual meeting, outlining Revco's accomplishments in fiscal '84 and bright expectations for 1985.

Despite a 7% decline in earnings and a sales softening for the quarter just ended, Dworkin easily garnered the support of Revco shareholders, who voted overwhelmingly to allow the drug chain to exercise its right of first refusal on any shares sold by Marden and Perlmutter. The two Odd Lot dissidents have nearly a 12% stake in Revco, worth approximately $113 million.

But despite Dworkin's impressive performance before an overflowing audience of supportive shareholders, analysts say the dispute between Revco and its Odd Lot subsidiary is far from over. Moreover, Bernard Marden and Isaac Perlmutter's absence from the annual meeting is being viewed by the financial community only as a sign that they realized they would be unable to change the course of the meeting. Both parties may have become so disenchanted with each other that they still may seek to break up the marriage.

Analysts say that there is still a strong possibility that a third party will approach Marden & Perlmutter with an offer Revco would not try to block or that a third party might approach Dworkin with an offer he would consider despite his assertions that the company is "not for sale."

Some analysts have also suggested that to end the "stressful situation" Dworkin might consider selling Odd Lot back to Marden and Perlmutter. Other analysts, however, ask "Why should he? He has the profits."

The other possibility is that the situation will continue with the drama under wraps, with both parties managing their respective operational areas for the good of the company.

Any company that might

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* * *

Revco sales, earnings soft; upturn seen

TWINSBURG, Ohio — Revco's sales and earnings softened for the company's first quarter, but company officials and some industry analysts say they believe the drug chain will rebound during its second and third quarters.

First-quarter net income dropped 7% to $15.3 million from $16.4 million for last year's first quarter. Sales for the period ended Aug. 25 increased 12.6% to $510.6 million.

Retail drug store sales were up 12% to $458.7 million, but same-store sales were only up 7.4% compared to 11.6% last year. Sales at Revco's Odd Lot stores increased 34% to $23.1 million.

The company blamed the earnings decline on high interest costs and expenses stemming from an expensive store remodeling program. Management also claimed that the first-

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Third-class issue divides chain drug industry

WASHINGTON — Top chain drug industry leaders are sharply divided over proposals to restrict sales of potent new over-the-counter drugs to pharmacies—a course supported by independent druggists but bitterly opposed by OTC manufacturers and major nondrug retail groups.

The National Association of Chain Drug Stores, an organization which has remained neutral during previous campaigns by pharmacy leaders to establish a so-called "third-class" of drugs, has not yet adopted a formal position on current proposals to set distribution restraints on ibuprofen and other drugs shifted from Rx to OTC status by the Food and Drug Administration.

But according to NACDS officials there is substantial sentiment among the association's board of directors to endorse a "pharmacist-only" sales requirement for these products. Although there is "no consensus" among chain execs on this issue, there is a "distinct possibility" that NACDS may soon go on record in favor of a third class of drugs, a spokesman for the association told *Drug Store News*.

"Our board appears to be split down the middle," and "if a vote were taken today the decision could go either way," he said.

Although smaller drug chains have traditionally been more receptive to proposals limiting distribution of certain nonprescription drugs to pharmacies, officials of at least one national drug chain are now leaning in that direction as well.

"We see valid arguments for placing some type of distribution restrictions on the growing number of drugs which are being switched" from Rx to OTC status, Jack Eckerd public affairs vp Michael Zagorac told *DrSN*.

Significantly, Zagorac drew a sharp distinction between the current flurry of restrictive OTC distribution proposals and earlier campaigns to create an open-ended "third class" of drugs requiring the supervision of a pharmacist.

But OTC drug manufacturers opposed to such marketplace limitations are drawing no such distinctions.

While the drive for a third class of drugs has gained "new impetus in recent years by the Rx-to-OTC movement" at F.D.A., the latest proposals are simply another wrinkle in a century-old campaign by pharmacists to create a "druggists monopoly" over certain nonpre-

Continued on page 34

—News in brief—

Abe Plough dead at 92

MEMPHIS — Abe Plough, the retired founder of Plough Inc. and a generous philanthropist, died in mid-September at Baptist Hospital Medical Center here.

He was 92 years of age.

In the early years of this century, Plough began his career as a soda clerk in a drug store. Over the years he was instrumental in establishing the Plough Pharmaceutical Co., which was merged with Schering Corp. to form Schering-Plough Co., one of the world's largest pharmaceutical firms.

Schering-Plough employs 25,000 people worldwide and did $1.3 billion in sales in over 100 countries last year.

Plough retired from business in 1976 as chairman of the board of Plough Inc. and Schering-Plough. He continued to work six days a week as a philanthropist after retirement.

He claimed his philosophy was to help the greatest number of people, because that is when the most good is done.

Walgreens sells Sanborn

DEERFIELD, Ill. — Walgreen Co. completed the sale of its 46.9% interest in its Mexican affiliate Sanborn Hermanos, S.A. for $30 million. Sanborns, a Mexican retailer and restaurant operator, had been a problem for Walgreens over the past two years because of the devaluation of the Mexican peso. Last year, Sanborns' contribution to equity income decreased by $4.5 million.

Walgreens will report the gains from Sanborns in its fiscal 1984 results. Funds will be used for drug store expansion, according to a Walgreens spokesman.

Eck promoted to Acme senior vp

SALT LAKE CITY — Dennis Eck, executive vp of marketing for Sav-On, has been promoted to senior vp-marketing for Acme Markets in Philadelphia.

Eck succeeds Larry Rogers, who is now president of Skaggs Alpha Beta food/drug combos. Eck's successor at Sav-On has not yet been named.

Eck is a veteran food merchandiser, starting as a butcher while in college. In 15 years with Jewel, he has worked in all four food divisions: Eisner, Buttrey, Star and Jewel. Two years ago he was transferred from vp-general manager of Jewel's Midwest division to Sav-On in southern California. His primary assignment was to design and build Sav-On's food/drug combos in the San Joaquin Valley.

Four of the combos have been opened, with six more due by the end of 1985. All are 47,500 sq. ft., except Atwater—opened in September—which is 38,000 sq. ft.

Eck has received high marks for his stewardship of Sav-On's combos. The units are regarded as well laid-out, and attractive, with a fine-tuned mix of food and nonfood.

Two appointed at Fay's Drug

LIVERPOOL, N.Y. — Fay's Drug has announced two new appointments. Al Travis has been named vp advertising and promotion. Travis comes to Fay's after serving 21 years with Allied Stores.

David Panasci, vp corporate development, will assume the duties of general merchandise manager left vacant following the departure of Kevin Kamholtz. Panasci will continue to oversee the real estate department.

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Vol. 6, No. 22 October 15, 1984

Chain drug execs unfazed by new K mart H&BA store

CHICAGO — K mart's decision to operate one of its Jupiter discount stores here in the Ashland area of the city as a deep-discount health & beauty aids store will have little impact on neighboring drug stores, according to area retailers.

K mart remerchandised its aging 7,000-sq.-ft. Jupiter store near the intersection of North Lincoln and Belmont avenues late last summer. The giant Troy, Mich.-based retailer removed much of the apparel section typically found in other Jupiter stores and replaced it with a large assortment of H&BA, cosmetics, grocery items, housewares and OTC medications. Much of the merchandise is discounted from 20% to 50%.

However, chain drug observers say the store lacks the excitement of a true deep-discount drug store. Shoppers entering the store are exposed to the traditional display of trial-size H&BA. But there is an obstructed view of the remaining area of the store because of a wall that divides the main selling floor from the front-end registers. In addition, a butcher counter to the right of the entrance of the store may cause shoppers to wonder if the store really is, in fact, a deep-discount H&BA store. A spokesman for K mart could not offer any details concerning the butcher counter.

K mart says it is calling the store Super Jupe, but there is no signage either inside or outside the store indicating the name change. The only indication of the new format is a cloth banner covering the old store exterior sign that proclaims, "The New Jupiter—20% to 50% Off—Buy Now & Save." There are, however, in-store signs promoting department discounts.

The spokesman said that K mart is advertising the store as Super Jupe in local newspaper ads.

The store's pricing does reflect a discount image. A Walgreens store across the street for instance has responded to K mart's pricing strategy by discounting some items in the store, including Max Factor cosmetics, by 25%.

While the new Jupiter is of-

Continued on page 33

Bergen Brunswig to purchase West Coast wholesaler for $79M

LOS ANGELES — Bergen Brunswig Corp. has signed a definitive agreement to buy Synergex, a leading West Coast drug and hospital supplies wholesaler, for $18 a share, or a total of $79 million.

The acquisition of Synergex, with $331 million in sales, will push the Los Angeles-based wholesaler, the nation's second largest, over $2 billion.

The buyout is expected to be completed in January 1985, subject to the approval of shareholders and the Government's antitrust division.

At that time Synergex will be merged into Bergen's drug company, one of three subsidiaries that also include Medical-Surgical and Commtron, distributor of consumer electronics.

Synergex operates two divisions: Drug Service Inc., which distributes pharmaceuticals and health & beauty aids, and Hospital Service and Supply, which handles hospitals' medical and surgical needs. Drug Service contributes $237 million to the company's sales.

Drug Service operates nine distribution centers, four in southern California, four in northern California and one in Kent, Wash., which covers Washington and Oregon. Hospital Service and Supply operates in 11 Western states through six branch offices: Seattle, Denver, Salt Lake, Phoenix, Hayward and City of Industry, Calif.

Bergen Drug Co., operating in the same geographical areas as Synergex, figures to strengthen its West Coast network—especially among hospitals. At present, Bergen is heavily weighted on the retail side, while Synergex is hospital-oriented.

Synergex's Hospital Service and Supply division does more than 90% of its volume with hospitals, while Drug Service's hospital business accounts for half of its volume.

Pathmark exec to head new drug/nonfood division

WOODBRIDGE, N.J. — Jack Futterman, a chain drug industry veteran, has been named president and ceo of Supermarkets General's newly created drug store and nonfoods division.

Futterman, 51, who has been with the company since 1973, had been senior vp for the Pathmark drug store and general merchandise operations. Pathmark, which operates supermarkets and drug stores throughout the Northeast, is Supermarkets General's principal business.

As president and ceo, Futterman will head up a much expanded operation that has resulted from the recent $79.5 million acquisition of Purity Supreme, a North Billerica, Mass.-based operator of supermarkets, drug stores and convenience outlets.

Purity, which had total sales of $750 million in fiscal 1983, runs 23 drug stores under the Pharmacity and Heartland Drug logos, as well as 28 Purity Supreme Supermarkets, 14 Heartland warehouse stores and franchised Li'l Peach convenience food stores.

Leonard Lieberman, president and ceo of Supermarkets General, who announced the formation of the new division and the appointment of Futterman, said: "Over the past several years our drug store and general merchandise operations have grown considerably. In view of this growth and the expanded opportunities afforded by our recent acquisition of Purity Supreme, we felt it timely to put into one, more sharply delineated group, these various operations."

Supermarkets General currently has 20 freestanding Pathmark drug stores and 117 pharmacies within its supermarkets. It recently opened two deep-discount drug stores, called Pathmark Super Drug, in the Baltimore area.

Futterman, a registered pharmacist, was formerly president of Whelan Drug Stores and served as a member of the board of directors of Volume Merchandise Inc.

He is a member of the board of trustees of the Arnold and Marie Schwartz College of Pharmacy in Brooklyn and of Affiliated Drug Stores.

Correction

In the Oct. 1 issue of *Drug Store News*, it was incorrectly reported that Perry Drug Stores was considering legal action against Rite Aid for the latter's acquisition of Remes Drug Stores in Grand Rapids, Mich. Perry is considering legal action, but only against Remes, with whom Perry thought it had reached agreement on an acquisition offer. Perry has no grounds for legal action against Rite Aid. *Drug Store News* regrets the error.

FINANCIAL

Rite Aid posts record first-half sales, earnings

SHIREMANSTOWN, Pa. — Rite Aid Corp.'s aggressive expansion program helped propel sales and earnings for the first half of fiscal 1985 to record levels.

The company reported that net income for the second quarter ended Sept. 1 increased 16.8% to $14.7 million from $12.6 million for the corresponding period a year ago. Earnings per share increased to 36¢ from 30¢.

Sales for the quarter rose 21% to $344.6 million from $284.8 million.

For the six months, net earnings climbed 17.6% to $28.2 million from $24 million a year earlier. Sales were up 18.8% to $669 million from $563.1 million. Earnings per share were 68¢ vs. 56¢ a year ago.

Earnings per share figures were changed to reflect a 2-for-1 stock split on Jan. 30, 1980.

Alex Grass, chairman and president, noted that the company had aggressively expanded during the second quarter in both its drug store business and specialty retailing operations.

During the quarter, Rite Aid diversified into discount book retailing with the acquisition of Encore Books, a 19-store chain based in Philadelphia. In the fiscal year ended Jan. 31, Encore had revenues of $10.2 million.

Rite Aid also began a vigorous penetration of the Michigan market in the second quarter by acquiring 24-store Muir Drug in Grand Rapids. Other acquisitions followed swiftly, including Herrlich's, Lippert Drug and Remes.

In a flurry of new-store activity, the company launched 28 new units in the second quarter. The acquisitions and new store openings brought the total number of Rite Aid outlets to 1,235 in 20 states, making the chain the third largest next to Revco and Eckerd.

Other specialty divisions include 180 Circus World toy store in 23 states.

28 Gainers
5 Unchanged
22 Losers

Top five gainers

Company	2-week % change	Closing price 9/24
Newport Pharm	+100.00	$ 2.88
Reid Prov Labs	+ 13.04	3.25
Lee Pharm	+ 9.52	2.88
Longs	+ 6.92	42.50
Adams	+ 6.77	17.75

Top five losers

Company	2-week % change	Closing price 9/24
Bolar Pharm	−17.00	$26.25
Thompson Med	−10.47	19.25
Baxter Travenol	− 9.23	14.75
Key Pharm	− 7.75	14.88
Revco	− 7.14	29.25

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		From 09/07/84 - 09/24/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
					Change		52-Week						Last Fiscal Year												Long Term Debt	Common Stock Equity	
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct				Amt.	Yield		Revenue	Earnings				
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																											
Adams Drug	ADG	18.13	15.88	17.75	1.13	6.77	24.88	11.00	.22	.02	-2.06	-1.37	1.74	.62 F	55.3	40.0	2.4	10.2	.04	.2	09-10-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	40.88	37.63	40.00	2.25	5.96	44.00	26.50	.27	.51	1.44	-9.35	3.61	.87 Q	30.3	54.0	1.5	10.7	.64	1.6	09-18-84	7983.7	117.9	1.5	12.39	15.26	0184
Begley Co	BGLY	15.50	15.50	15.50	.00	.00	22.00	14.50	-.04	.24	-3.82	-16.67	1.47	1.46 N	NC	-10.0	1.4	10.6	.68	4.4	07-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	11.38	10.38	11.13	.50	4.71	14.25	8.88	-.05	1.11	1.98	-12.06	.53	.14 Q	33.3	23.0	3.0	19.9	.00	.0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Drug Sys	DRGS	4.50	4.00	4.25	.00	.00	7.50	3.25	.61	-.92	-4.45	59.09	.56	-.16 F	-22.2	NC	2.1	7.6	.00	.0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	26.13	24.00	25.50	1.00	4.08	29.38	20.25	.34	.79	-2.87	25.06	1.91	.31 N	16.5	6.0	3.1	11.7	1.00	3.9	09-10-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	11.25	10.50	10.75	.00	.00	14.50	8.38	.15	-.49	.48	-20.94	.60	.15 Q	31.2	56.0	2.6	17.1	.20	1.9	09-24-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	14.25	13.38	13.50	-.63	-4.42	20.50	11.50	-.84	-1.09	.51	1.99	.96	.25 S	32.0	70.0	2.0	13.1	.20	1.5	09-17-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	22.50	22.00	22.50	.00	.00	29.50	18.50	.11	.58	-2.67	7.29	2.01	-.07 S	-3.5	8.0	2.7	11.8	1.00	4.4	07-09-84	320.5	8.7	1.7	2.75	10.38	1283
Longs Drg Strs	LDG	43.50	39.50	42.50	2.75	6.92	49.75	34.00	.24	.10	1.56	-10.30	3.43	.45 Q	14.8	11.0	3.0	12.2	1.28	3.0	08-28-84	1214.4	36.4	1.9	.00	22.23	0184
Pay N Save	PAYN	23.25	22.50	23.13	.25	1.09	28.75	14.38	1.63	.26	2.52	26.45	2.02	-.23 S	-13.2	.0	2.5	15.4	.60	2.6	08-20-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	23.50	21.38	21.50	-.63	-2.82	23.50	14.00	.23	-.39	.44	-4.45	1.35	.30 Q	27.0	4.0	2.9	15.2	.34	1.6	09-17-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	18.38	16.88	17.63	.63	3.68	22.38	12.38	.46	-.58	-2.39	20.63	1.02	.45 N	52.9	12.0	1.6	13.6	.24	1.4	08-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	31.50	27.88	29.25	-2.25	-7.14	37.50	24.00	.24	-.87	-.27	1.01	2.54	.63 F	32.9	26.0	4.2	11.5	.80	2.7	08-20-84	2227.5	93.4	2.1	1.08	12.22	0584
Rite Aid Corp	RAD	26.50	23.50	24.38	.75	3.17	26.50	17.50	.17	-1.13	-2.88	-34.02	1.47	.29 Q	23.5	30.0	5.1	16.0	.41	1.7	07-13-84	1223.3	62.2	2.3	49	7.68	0284
Thrifty Cp	TFD	20.00	17.13	18.25	.88	5.04	20.50	11.50	.20	-1.10	7.20	-62.83	1.13	.27 N	25.7	19.0	1.9	13.8	.52	2.8	08-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	40.88	38.00	38.00	-1.13	-2.88	42.00	28.63	-.04	-.84	-.49	29.08	2.27	.58 N	27.8	33.0	3.0	14.3	.72	1.9	08-13-84	2360.6	69.8	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	23.13	21.13	21.63	-1.25	-5.46	31.88	19.00	-.25	1.06	-.05	3.53	1.60	.28 N	17.9	37.0	1.4	11.8	.32	1.5	07-26-84	1452.0	20.0	1.6	1.22	9.99	0883
Durr Fillauer	DUFM	14.75	13.75	13.75	-.25	-1.79	17.25	10.25	.06	-.97	-1.78	1.83	.80	.09 S	12.0	21.0	1.9	16.4	.16	1.2	08-20-84	263.2	5.0	2.3	2.03	6.80	1283
McKesson Cp	MCK	38.63	37.00	38.13	1.13	3.04	44.25	32.38	.13	.25	-1.92	-.95	3.25	-.07 Q	-2.1	.0	1.5	11.9	2.40	6.3	08-28-84	4260.0	63.0	1.4	10.45	30.25	0384
Foxmeyer Cp	FOXM	25.25	23.25	23.25	-1.75	-7.00	26.75	20.00	-.04	-1.29	3.79	-29.49	1.27	.33 F	35.1	51.0	1.1	18.3	.00	.0	00-00-00	464.2	5.2	2.0	3.95	11.86	0384
Ketchum	KCH	15.41	13.22	14.75	.91	6.55	20.19	10.09	.01	-.34	3.12	1.00	.77	-.09 F	-10.4	53.0	.3	19.2	.00	.0	09-26-83	245.1	.8	1.5	5.65	5.46	0483
Owens & Minor	OBOD	14.50	14.00	14.00	.00	.00	18.00	11.25	-.25	-.78	-12.52	-64.58	1.41	.17 S	14.5	10.0	1.2	10.4	.36	2.6	06-06-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	25.00	22.63	23.50	.75	3.30	25.00	15.50	.00	-.43	.32	23.31	1.78	.49 Q	35.0	54.0	1.8	12.4	.14	.6	09-24-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	47.75	42.75	43.25	-2.25	-4.95	53.38	38.25	-.16	-1.23	2.06	-15.20	2.86	.51 S	19.6	26.0	11.9	14.0	1.20	2.8	10-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	51.75	48.75	49.25	-1.63	-3.19	55.75	48.13	-.14	-.97	-1.35	6.00	4.00	.44 Q	12.0	16.0	12.9	12.0	2.64	5.4	08-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	16.38	14.50	14.75	-1.50	-9.23	30.38	13.25	-.46	-.67	2.76	-8.86	1.45	-.01 S	-.7	22.0	11.8	11.0	.33	2.2	08-31-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	27.00	26.50	27.00	.50	1.89	28.25	25.00	.02	.26	9.57	-.48	3.28	.33 F	11.1	16.0	10.0	8.2	1.00	3.7	08-28-84	238.2	23.9	2.5	2.35	17.84	0383
Bolar Pharm	BLR	31.50	24.00	26.25	-5.38	-17.00	32.00	17.50	-.38	-1.60	-1.77	11.07	1.15	.13 S	13.0	46.0	19.2	23.2	.05	.2	02-10-84	25.5	4.9	4.9	.00	4.76	1283
Bristol-Myers	BMY	49.38	46.13	46.38	-1.00	-2.11	50.38	40.75	-.13	-.59	-.65	10.88	3.00	.47 S	16.9	19.0	10.4	14.3	1.60	3.5	10-01-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	25.38	23.13	24.25	1.00	4.30	26.38	19.38	-.17	-.53	1.02	33.56	2.37	1.91 Q	329.3	31.0	5.7	9.7	.48	2.0	07-26-84	323.1	18.4	2.4	1.69	21.87	0384
Cooper Labs	COO	22.00	20.75	20.75	-.50	-2.35	27.00	10.38	-.07	-.76	-1.57	7.03	NA	NA	NA	NA	NA	NA	.12	.6	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	15.63	12.25	14.38	1.63	12.75	36.00	11.25	.08	-.68	1.85	-22.37	.54	.08 Q	16.6	56.0	14.8	25.7	.00	.0	01-14-83	19.6	2.9	8.3	.28	5.42	0384
ICN Pharm	ICN	9.00	8.25	8.63	.13	1.47	9.38	4.88	.54	.11	1.14	-17.26	.22	-.09 S	-32.1	42.0	5.1	45.4	.00	.0	00-00-00	37.0	1.9	4.3	.20	4.34	1183
Key Pharm	KPH	16.25	14.63	14.88	-1.25	-7.75	21.00	10.63	-.17	-.50	-.54	14.83	.51	.20 S	50.0	78.0	14.8	24.8	.16	1.1	09-10-84	127.3	18.8	2.1	1.16	1.67	1283
Lilly Eli Co	LLY	57.63	55.75	55.88	-1.13	-1.97	68.38	53.00	-.14	-.01	.39	-5.30	6.13	.96 S	17.2	12.0	15.1	8.6	2.90	5.2	08-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.13	2.75	2.88	.25	9.52	3.75	2.00	-.18	-.64	3.15	11.39	-.49	.23 N	NE	-92.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	40.25	36.75	38.00	1.00	2.70	48.00	27.25	-.35	-.22	-2.54	-33.69	1.24	.46 F	58.9	55.0	10.6	30.6	.40	1.1	09-12-84	226.4	24.1	2.5	.05	5.93	0683
Merck & Co	MRK	86.50	82.00	83.25	-.25	-.30	104.63	78.25	-.17	-.47	-1.27	-8.21	6.10	.53 S	9.0	7.0	13.9	13.1	3.00	3.6	08-31-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	83.88	80.00	83.75	2.50	3.08	84.50	60.00	.00	.85	2.74	-15.02	6.50	1.35 F	26.2	23.0	5.5	12.9	1.76	2.1	08-27-84	2001.5	109.8	1.4	8.90	32.79	0683
Mylan Labs	MYLN	25.75	20.75	25.38	-1.25	-4.69	35.13	7.41	-1.13	2.47	-1.10	8.74	.40	.24 Q	77.4	98.0	12.7	46.1	.03	.1	08-01-84	36.9	4.7	5.4	.21	1.52	0384
Newport Pharm	NWPH	7.00	3.25	7.00	3.50	100.00	9.63	2.75	.81	13.27	10.49	51.40	-.21	-.18 F	NE	9.0	-23.5	NE	.00	.0	00-00-00	8.5	-2.0	3.7	.24	1.12	0483
Pfizer Inc	PFE	37.38	35.38	35.63	-.38	-1.04	44.50	29.38	-.04	-.38	-.12	-10.50	2.73	.53 S	22.4	18.0	11.9	12.3	1.32	3.7	07-26-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.25	2.88	3.25	.38	13.04	4.75	2.75	-.28	2.24	2.96	5.49	.12	.02 F	20.0	107.0	6.7	27.1	.05	1.5	12-09-83	13.4	.9	3.1	.03	.80	0683
Robins, AH	RAH	18.38	15.13	17.88	.88	5.15	29.38	12.00	.64	4.74	5.05	11.13	2.40	-.29 S	-12.7	15.0	10.3	9.0	.76	4.3	08-20-84	563.5	58.2	3.2	1.36	14.69	1283
Rorer Group	ROR	34.13	32.25	33.25	.88	2.70	34.25	25.25	.16	.07	.06	-6.61	2.02	.28 S	15.3	10.0	8.9	15.8	1.08	3.2	08-06-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	9.75	8.88	9.13	-.50	-5.19	19.50	8.88	-.41	-.14	-1.78	15.24	.52	-.52 F	-50.0	-1.0	2.3	17.5	.32	3.5	09-12-84	171.7	4.0	1.9	4.83	11.14	0384
Searle, GD	SRL	52.13	48.75	50.75	1.50	3.05	54.75	37.50	.18	.70	-.19	3.50	2.39	.77 S	35.3	15.0	12.6	17.2	.52	1.0	08-07-84	946.0	119.0	2.4	3.62	14.85	1283
Squibb Corp	SQB	47.75	45.38	46.75	.88	1.91	55.63	37.50	-.20	.39	-3.19	-6.62	3.31	.38 S	12.2	11.0	9.8	13.5	1.44	3.1	08-13-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	26.75	24.88	26.25	1.13	4.48	29.63	23.50	-.03	.49	2.66	12.74	2.24	.15 S	6.9	7.0	7.2	11.4	1.16	4.4	08-09-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	49.88	44.25	46.88	2.38	5.34	61.50	37.75	.07	.68	3.21	-1.98	4.30	.25 N	6.0	32.0	17.2	10.7	1.60	3.4	08-13-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	22.75	19.25	19.25	-2.25	-10.47	26.50	12.75	-.51	-1.61	1.34	35.67	1.65	.78 S	55.7	70.0	11.0	8.8	.40	2.1	09-11-84	149.4	16.5	3.2	.00	5.85	1183
Upjohn Co	UPJ	55.25	52.25	52.75	-.75	-1.40	72.25	45.00	-.05	-.62	.77	11.67	5.28	1.59 S	35.8	3.0	8.1	8.8	2.56	4.9	07-02-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	34.75	31.50	31.75	-.13	-.39	36.75	27.75	-.15	-.51	-1.67	-37.69	2.51	.51 S	23.3	1.0	6.5	11.8	1.48	4.7	08-06-84	3108.3	200.5	1.9	7.53	17.75	1283
Zenith Labs	ZENI	18.50	16.50	17.50	1.00	6.06	18.50	12.00	.00	-.74	-2.14	-21.82	.73	-.43 S	-45.2	56.0	7.8	33.7	.00	.0	00-00-00	32.1	2.5	4.6	1.12	5.12	1283

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISER

Auto part ads renewed as user profile changes

Auto aftermarket manufacturers are stepping up their consumer marketing efforts through increased mass advertising and new packaging innovations in an attempt to reach what the industry considers a large untapped market.

In past years, auto products consumers conjured up images of blue-collar men with grease under their fingernails. The most popular outlet for purchasing automotive products was the professional auto parts dealer and general merchandise retailers such as Sears.

However, that stereotype no longer appropriately describes the typical auto parts consumer. The declining number of full-service gasoline stations, rising labor hour costs for mechanics and the fact that people are holding on to their automobiles longer (the average is seven years) has prompted more car owners than ever before to undertake simple repair jobs themselves.

Recognizing this very fundamental change in demographics, manufacturers in recent years have reached out to embrace the new auto aftermarket consumers, a growing number of whom are women. Advertisements for easy-to-install-and-apply automobile products frequently feature women using the product.

One of the best examples of the new consumer-marketing strategy by auto parts suppliers is the move by oil manufacturers, which in the past year have rushed to introduce resealable funnel-top quart oil containers.

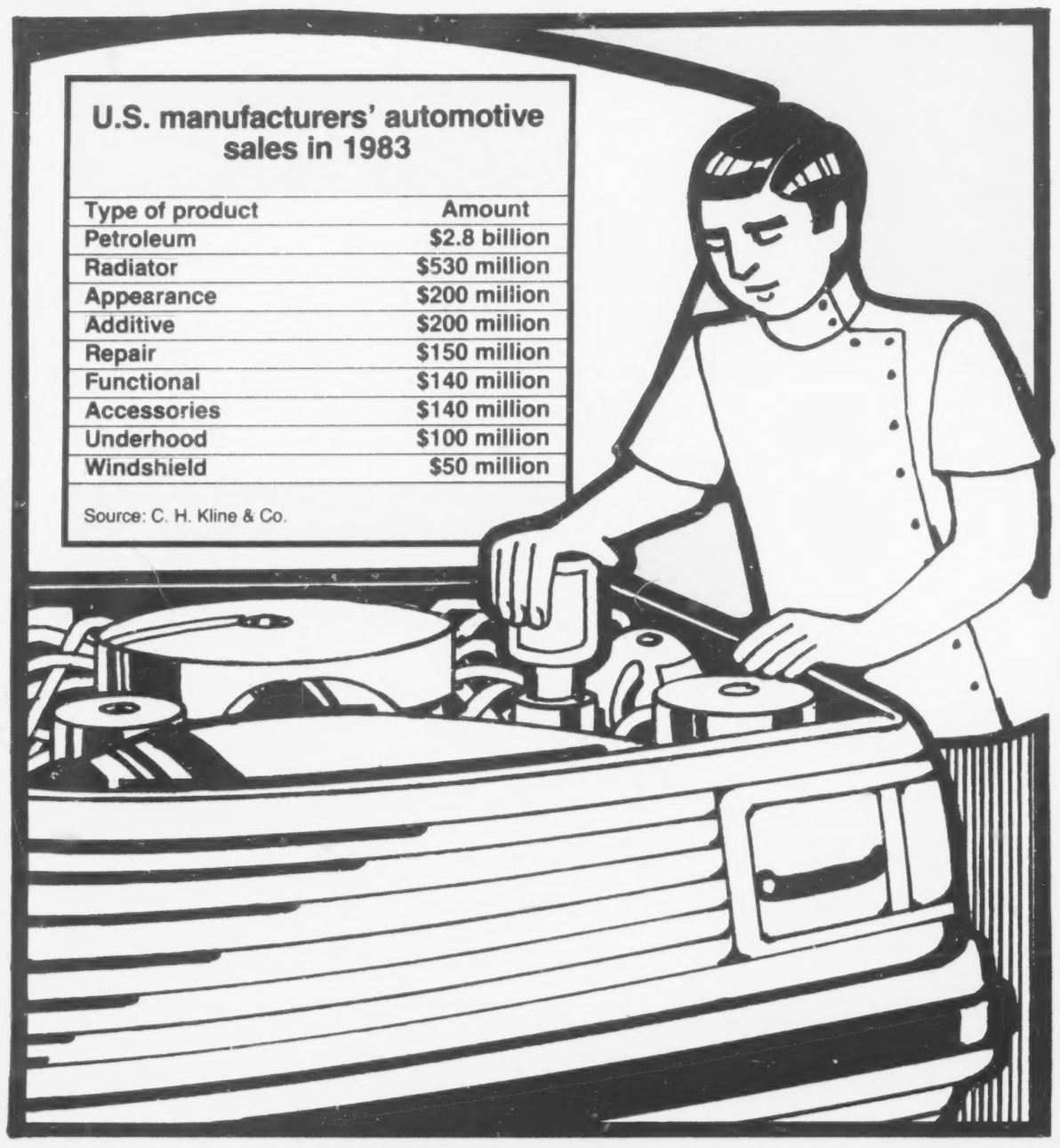
Similarly, manufacturers of air and oil filters and windshield wiper blades have improved their point-of-sale material, enabling consumers to find replacement parts for their cars.

This shift "from a professionally oriented market to a more consumer-oriented market," as described by the investment research firm of Charles H. Kline & Co. has not been lost on drug retailers.

U.S. manufacturers' automotive sales in 1983

Type of product	Amount
Petroleum	$2.8 billion
Radiator	$530 million
Appearance	$200 million
Additive	$200 million
Repair	$150 million
Functional	$140 million
Accessories	$140 million
Underhood	$100 million
Windshield	$50 million

Source: C. H. Kline & Co.



While drug chains rang up only a small portion of the estimated $30 billion auto aftermarket sales last year, the chain drug automotive department was the biggest gainer in the do-it-yourself category in drug stores in 1983. According to the *Drug Store News* annual survey, automotive department sales registered close to an 8% increase in sales to $156 million.

Drug chains have long been successful moving auto supplies on an in-out basis. And an increasing number of chains are expanding their everyday automotive mix and realizing full markup on motor oils and chemicals, which can often generate impulse sales.

Some chains have even begun testing 8-ft. oil and air filter sections. These sections, which generally feature 12 top-selling sku's of air filters and seven best-selling sku's of oil filters, contain enough merchandise to fit 85% of the automobiles on the road in the United States.

One source for a large Midwest drug chain said the chain has been successful with this type of merchandise. "We stay away from the industrial auto parts," he said. "We carry things that are readily recognizable to the layman."

Says Fran Massey, customer service manager at the Fort Lauderdale-based STP Corp., one of the companies that manufactures oil and air filters: "Drug chains are not sleeping giants. The drug trade has offered additional growth opportunities for us.

The problem with limited selection auto departments is space. Many retailers, particularly those with stores 10,000 sq. ft. or less, are quick to point out that they simply don't have the floor space to carry products such as headlamps, belts, hoses and filters.

While small store operators may not be able to allocate 1,000 sq. ft. to 2,000 sq. ft. to automotive, there are opportunities to exploit in the auto accessories market. Retailers favor accessory items such as compasses, steering wheel covers, car mats, battery cables, fuses, tire gauges, oil spouts, funnels and filter wrenches because they don't require a great deal of floor space to merchandise. Moreover, accessory items such as these boast margins of 45% to 50%.

Motor oil remains one of the biggest draws in drug store auto departments.

Continued on page 10

Rebates on personal care set what's hot, what's not

The rebate war being waged among manufacturers of personal care appliances may determine which lines win and which lose a place on drug store shelves.

Buyers say that the amount of the rebates in relation to the consumer's cost can be a deciding factor on whether they carry the line. And today with most manufacturers offering rebates from $2 to $7 on products like blow dryers and curling irons that sell for under $20, the fight to capture a buyer's attention is furious.

So along with rebates there has been a flourishing of new product designs like Black & Decker's "Black Tie" grooming tools for men, Sunbeam's compact products for working women called Perfect and Clairol's "TimeWave," a curling iron with a timer.

However, buyers say that it is the rebates that have been the major factor in increasing personal care appliance sales. The rebates have allowed drug stores to offer prices competitive with mass merchandisers and therefore to remain a popular outlet for such appliances. In fact, sales of these items reached over $203 million in chain drug stores last year, a 9.9% increase over 1982.

While chains report increases in sales volume, buyers say space devoted to the category has remained the same over the years—usually about 6 to 8 ft. Margins average 30% when personal care products are sold at an everyday price. On promotion, however, they can sink to 10% and lower. When advertised, personal care products are often footballed. Buyers report that such items are usually advertised at least once a month and, during holiday periods, weekly.

While the personal care appliance category includes products like electric shavers and massagers, buyers say the bulk of sales are in hair care appliances, primarily blow dryers. Other popular items are curling irons, styling brushes and electric rollers.

The two manufacturers most frequently named in this category are Clairol and Conair. However, other strong leaders are Sassoon, Norelco, Sunbeam, Black & Decker (formerly G. E.) and Windmere.

Personal care appliance sales in chain drug stores reached $203 million last year.

While consumers once primarily stuck with well-known brand names, buyers say that shoppers are choosing more and more private-label and new low-end names. Begley, for example, has added the Aries line and Thayer, the Shetland line. And Shoppers Drug Mart is now introducing its private-label products.

Buyers say that Windmere, known for its low price points, has grown over the past few years as the name gains recognition and also because of rebates on all its products. According to David Ruben, a division vp for Windmere Corp., sales have quadrupled in drug stores in the past five years. Currently, 35% of the corporation's business is in drug stores, he said. In addition to Windmere products, the company manufactures the following private-label personal care products: Longs' Contempo, Perry's Aviva, SupeRx Ultra Pro and Eckerd's VIP Pro.

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MERCHANDISER

Auto part ads renewed as user profile changes

Continued from page 9

Although it generates margins of 10% or less on promotion, motor oil is the fastest-turning automotive product carried by drug stores, according to buyers.

Recent store circulars from six chains from different regions of the country revealed that five of the chains were featuring an oil promotion.

"Oil is the biggest weapon we have against the discounters in our auto section," noted one buyer from a Midwest drug chain.

Motor oil manufacturers such as Quaker State, STP, Mobil and Citgo Petroleum have also received good reviews by most drug retailers for their new funnel-quart containers. Citgo, in fact, has taken its consumer marketing effort one step further with the introduction of a new 5-qt. jug of motor oil with a flexible spout.

"I think [the new packaging] has been good for the market," said Dean Killa, who oversees Harco Drug's Carport division, a chain of nine auto stores opened during the past year. "I think it's encouraged more women to buy motor oil."

At Medicare-Glaser, an 89-store chain headquartered in St. Louis, buyer Ray Jeans said the chain concentrates its automotive efforts on oils, chemicals and accessories. Jeans said the chain is considering expanding its auto sections, but that any expansion would probably result in a larger accessory department. "It's an area that we're looking at, but we're not going in like Perry Drug," Jeans said, referring to the Pontiac, Mich.-based chain, many of whose stores have full-line automotive departments.

The rapid growth of the auto aftermarket has prompted some chains, which have available space to test full-line automotive departments. And in many cases the results have been encouraging.

The Northport, Ala.-based Harco Drug currently operates one drug/auto combo and is planning to roll out the concept next year. According to Charles Reinhart, Harco's director of merchandising, one of the big factors in its decision to roll out full-line auto departments in many of its newer stores has been the chain's success with the Carport stores.

The latest chain to open a full-line automotive department is Genovese Drug Stores, the Melville, N.Y., drug chain. It opened a 3,000-sq.-ft. auto department called the Genovese Auto Warehouse this summer in the basement of a Queens, N.Y., store. It marked Genovese's first effort to sell automotive hard parts such as brakes, starters, water pumps.

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PHARMACY Rx

NACDS admits hospital groups for first time

ALEXANDRIA, Va. — For the first time in its history, the National Association of Chain Drug Stores has opened its membership to hospital groups with retail pharmacies.

The two hospital groups that have joined—Shawnee Medical Center in Shawnee, Okla., and Carle Foundation Hospital in Urbana, Ill.—both fit NACDS' requirements of operating four or more retail outlets. Carle has a total of seven retail stores averaging 1,000 sq. ft., while Shawnee owns five pharmacies, including two full-line stores.

The admission of hospitals into the association has caused a stir among many chain pharmacy executives. However, most said that since the groups run four or more retail stores, they can't be denied entry. Also, the chains said they would rather deal directly with the new competition, than try to second-guess them.

"I have no problems with it," said K&B's Saul Schneider, "I'd rather sit down at the table with the hospital guys and see what they're talking about than worry about them in the dark."

Added another chain representative, "At least the enemies will be visible to us."

Drug chain executives told *Drug Store News* that hospitals are "just another competitor in the endless string of retailers now invading our turf."

However, retailers said they will become a great deal more concerned if the hospitals abuse their pricing privileges by diverting low-cost pharmaceuticals into their retail outlets. Hospitals are given special pricing contracts by manufacturers, and these prices are usually only 2% to 3% above the wholesale cost (compared with 5% to 6% for chain drug stores). However, hospitals are supposed to separate the inventories of their outpatient and inpatient pharmacies so that the discount pricing shouldn't be practiced

Continued on page 24

Two groups join forces to publicize Rx crime law

PHILADELPHIA — The National Association of Chain Drug Stores (NACDS) and the American Pharmaceutical Association (APhA) have launched a national public information campaign designed to increase awareness of the new pharmacy crime law.

The campaign, announced at last month's NACDS Pharmaceutical Conference here, is designed to use editorials written by NACDS president Bob Bolger and APhA president John Schlegel, as well as public service announcements, local news releases and other media, to warn potential law-breakers that stealing narcotics or stimulants from an American pharmacy is now a *Federal* crime.

The objective of the campaign, says Bolger, is "to let the public know that a major step has been taken, both to make it safer to patronize community pharmacies and to reduce illegal drug trafficking."

Schlegel, who was represented at the NACDS press conference by Dr. Richard Penna, APhA board member, said in a prepared statement that the campaign is intended to convey two fundamental messages.

"First, we want the public to know something is being done to protect them against crime," he said, "and we want the criminal and potential criminal to know that the stakes have just gone up drastically."

Also attending the conference was acting chief of the U.S. Justice Department Tom O'Malley and the director of the Philadelphia Crime Commission Ian Lemax.

O'Malley said the Justice Department "intends to have an effective role in how the new bill is administered." He said the bill, which was signed into law last May, provides for a "concurrent jurisdiction between state and Federal authorities."

The Justice Department, he added, is currently working out guidelines for all United States attorneys. "We want to be of every possible help we can be in the implementation of this statute," he said.

For anyone involved in a pharmacy crime in which someone is killed or significantly injured, in a crime in which the wholesale value of the stolen drugs exceeds $500 or in a crime involving interstate commerce, the bill provides penalties of up to 20 years in prison and/or a $25,000 fine.

If the perpetrator is also convicted of using a weapon in an attempted robbery or of injur-

Continued on page 24

John Schlegel (left), president of the APhA, and NACDS president Bob Bolger display the new theft-warning decal for pharmacies.

Consumers rate pharmacists on side-effect counseling

Frequency	Told of normal side effects	Told of bad reactions
Always	23%	20%
Sometimes	21	15
Never	55	63

Source: Prescription Drug Survey, AARP

Study finds manufacturers lax in briefing Rxers on side effects

PHILADELPHIA — Four out of 10 people who take prescription products generally have negative side effects from those products, according to a recent American Association of Retired Persons study.

Now the findings from a new study commissioned by *Drug Store News* suggest that the incidence of side effects may be so high because pharmacists are not as informed about the potential negative consequences of prescription drugs as they'd like to be.

In a presentation given at the National Association of Chain Drug Stores Pharmaceutical Conference earlier this month, *Drug Store News* pharmaceutical editor Joe Caputo and assistant pharmaceutical editor Harold Cohen revealed that just 4 out of 10 in-store pharmacists consider representatives from pharmaceutical manufacturers "very or extremely effective" sources of patient product information.

Store detailing study

The survey showed that 7 out of 10 pharmacists wanted information on drug interactions, but only 3 out of 10 were receiving such information.

Seven out of 10 respondents also wanted information about adverse reactions, but only 4 out of 10 were getting it. Nearly 70% wanted to know about the competitive disadvantages of specific products, but only 11%

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Let APhA speak out on Rx consumer advertising

BENCHMARKS

By Joseph Caputo, R.Ph.
Pharmaceutical Editor

The gag order that prevents the American Pharmaceutical Association from engaging in the debate about direct-to-consumer Rx advertising ought to be amended—and fast.

A little history: Back in the 70's, the APhA came under the scrutiny of the Justice Department for questionable practices the association was using to discourage price advertising for pharmaceutical drugs.

The practices were determined to be anticompetitive, and APhA signed a consent order agreeing to remove itself from the Rx advertising arena for 10 years. The consent order did not prevent individual APhA members from commenting, but it did stop the association as a group.

While the intent of the Justice Department order was to block the association from applying sanctions against pharmacists (read: chains) that advertised competitively on prescriptions, the order was written so broadly that it effectively gagged APhA on any issue of Rx advertising.

The issue has surfaced because the Food and Drug Administration in the past year has tested electronic and print advertising for prescription drugs in consumer media. F.D.A. is shortly expected to set guidelines for drug manufacturers who may want to take that route instead of the usual one of advertising solely to medical professionals.

Another factor likely to heat up the debate over direct-to-consumer advertising is the new patent term/generic law. In their efforts to protection their brand-name franchises from growing generic competition, manufacturers will be under increasing pressure to tell their stories to consumers as well as physicians.

Finally, there is the information gap factor. While some physicians and pharmacists have done a good job in providing the type of information that consumers say they want about prescription drugs, there is still a big void. It is that void that direct advertising may eventually fill.

Against this dynamic backdrop, it seems a little anachronistic to continue to prevent APhA from speaking out because it once signed a consent order aimed at stopping anticompetitive practices.

Whether or not you agree with the association on direct-to-consumer advertising (APhA opposes it), isn't the issue here. What is important is that all parties—especially those with special expertise—should be allowed to testify.

The basic question is no longer just one of preventing antitrust violations, it is the basic Constitutional right of free speech.

PHARMACY

Pharmacists ask: Where's the detailist?

Pharmacists, who play a key role in the distribution of pharmaceutical products, say they are not seeing detailists as often as they would like, nor are they getting the types of product information they want when they see them.

The situation is worse for chain pharmacists than independents, but even the latter are not seeing detailists as frequently or getting as much information as desired.

In a study recently done for *Drug Store News* by Lebhar-Friedman Research, more than 7 out of every 10 pharmacists reported that they want to see detailists at least once every two months.

However, only half of the chain pharmacists are getting their wish. Of the remaining half, 60% see detailists three to six times a month and 40% less than once every six months or never.

Independent pharmacists fare much better: Seven out of 10 independent pharmacists want to see a detailist once every two months and 7 out of 10 do see them that often.

Independents, however, are almost as unhappy as chain pharmacists with the kind of information they receive once they do see a detail rep.

For instance, 74% of our respondents want to receive information on possible drug interactions, yet only three out of 10 report they are receiving this information.

In chain stores, 77% of all respondents want information on possible drug interactions, but only 24% say they are getting it. Although independent pharmacists fare a bit better, the majority are not getting the information they want: Some 68% of the independent pharmacists say they want drug interaction information, but only 36% report getting it.

The picture is just as bleak concerning drug reaction warnings and even worse when it comes to requests about a product's competitive disadvantages. Some 74% of chain and 66% of independent pharmacists say they want information about adverse reactions, yet only 35% and 45%, respectively, are getting it.

Nearly 7 out of 10 chain and independent pharmacists wanted information about a product's competitive disadvantages, but only 1 out of 10 were getting it.

Those who were dissatisfied with the levels of visits and the types of information received said it was because their current patient product information was "too vague," too nonspecific to allow them to feel comfortable when they were making dispensing decisions or when they were advising patients.

Others said the information was too technical as well as vague, not focused enough on

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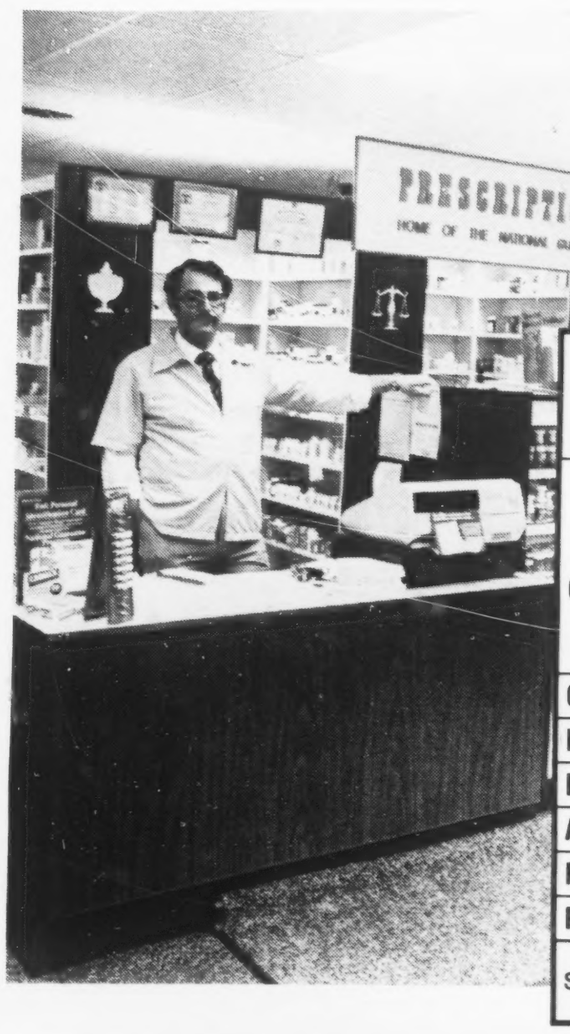
PHARMACY



Pharmacists rate manufacturers on new product detailing

Company	Product	Detailed within six months of launch		
		Total Respondents	Chain Respondents	Independent Respondents
Glaxo/Roche	Zantac	70%	66%	85%
Roche	Accutane	53	51	64
Lilly	Human insulin	52	51	59
Ayerst	Inderal L.A.	40	34	57
Roche	Bumex	40	34	53
Robbins	Micro-K	40	35	51

Source: *Drug Store News* 1984 Store Detailing Study

New products fail to spur rep visits

Since the average pharmacy stocks approximately 33 new products a year, it would be logical to assume that the average pharmacist receives frequent and very careful attention from the average detailist, who must explain the potential benefits and limitations of new products.

However, according to the recent *Drug Store News* Pharmaceutical Store Detailing Survey, it would be wrong to make that assumption: the average pharmacist is not visited that often by representatives of companies with new products on the market, nor are they given all the information they want when they are visited by detailists.

According to the *Drug Store News* study, only 40% of the 575 respondents in the survey were visited within six months of a product launch by representatives from 12 selected companies.

The number of pharmacists who had seen a rep within a six-month launch of a new product from these 12 select companies ranged from a high of 70% to a low of 10%. On a median basis, 40% of our respondents had seen a rep from one of these companies at least once within the six-month launch.

Store detailing study

Pharmacists who work for independent stores saw reps more often than pharmacists who work for chain stores. In the case of a few manufacturers, their reps got to independent pharmacists twice as often as they got to chain store pharmacists. However, if a rep from one of these companies had reached, say, 85% of the independent pharmacists, he, she or a counterpart would have reached about 66% of the chain pharmacists. If 5 out of 10 independents had seen a rep from one of these companies, then generally 3 out of 10 chain pharmacists would have also seen a rep from that company.

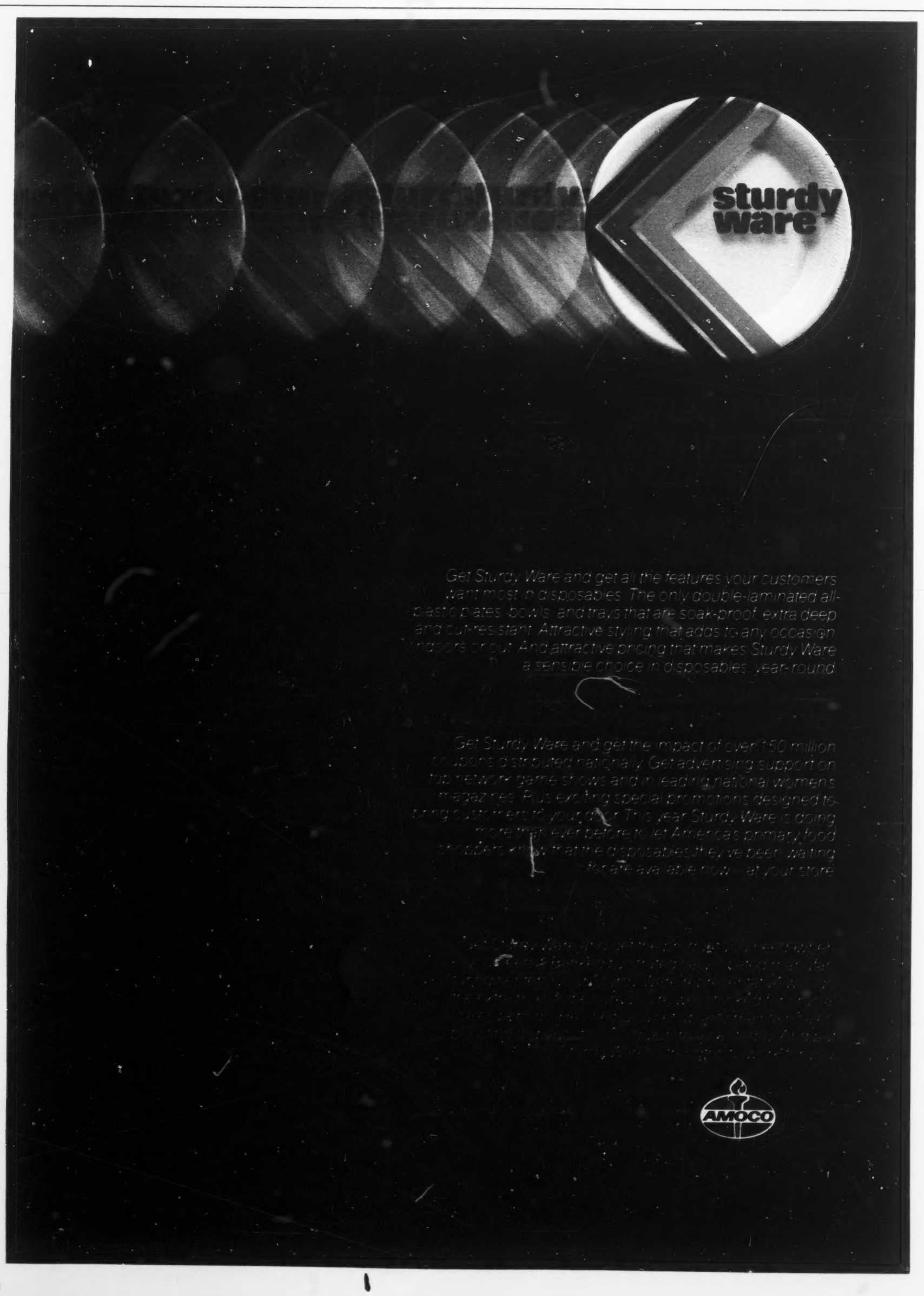
In all cases, the pattern was consistent. There was no company that had reps reaching more chain pharmacists than independent pharmacists.

As one would expect, the companies who had reached the least number of pharmacists within a six-month launch of a new product received the lowest overall satisfaction ratings.

The three companies on our list who had only reached between 10% and 20% of our overall respondents in the six-month launch period barely received a "somewhat satisfied" rating while the three companies who had reached at least 5 out of 10 of our respondents received a close to "very satisfied" rating: 2.6 out of a possible 3.0 score.

Pharmacists in the survey also complained that when detailists visited, buyers were not giving them all the information they needed to adequately evaluate the product.

Pharmacists said they were not getting enough information about possible side effects, possible interactions and adverse reactions, and that some of the information they were getting was either "too vague" or "too technical."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PHARMACY

Manufacturers lax in briefing on side effects

Continued from page 13

were getting that information.

Independent pharmacists were getting more information and they were seeing detail reps much more frequently than pharmacists who worked for chain stores, but even the independents in the *Drug Store News* survey were dissatisfied by the service levels they were receiving.

In analyzing the findings, Caputo said that "pharmacists have to have more information and more cooperation from manufacturers. Our survey shows that the detailist is *not* spending enough time with pharmacists, particularly with pharmacists working in chain stores."

"In many cases, detailists are discouraged from making store visits because of chain policies or because of manufacturer perceptions that some chains might not favor such visits, but our survey showed that pharmacists give the highest effectiveness ratings to manufacturers who visit the stores frequently."

Caputo and Cohen pointed out that it is particularly important for pharmacists to stay up-to-date because of the speed with which new pharmaceutical products are entering the market.

"In today's world, there are hundreds of new and more potent drugs, some with very narrow therapeutic/toxic ranges, and these new drugs place certain patients at a greater risk of experiencing side effects and adverse drug reactions," Caputo said.

"There is also a proliferation of therapeutic regimens that are highly specific," said Cohen, "as well as a growing tendency for patients not to use their drugs at all or to use them incorrectly or abuse them."

Caputo pointed out that the recent AARP survey of over 1,000 people 45 years old and up found that 30% of all people who experience side effects describe them as "very serious."

Some 3% of those in the AARP study who experienced side effects were hospitalized because of side effects and that figure was as high as 6% for respondents over 65.

According to the study, some 60% of all consumers stop taking medicine when they experience a side effect. Cohen said one of the reasons they give up so quickly is because their pharmacists and their doctors "never" warned them about the possibility of side effects in the first place.

"Some 55% of the respondents in the survey," Cohen said, "reported they had never received any information about 'normal' side effects or possible reactions."

"More than 6 out of 10 respondents," he said, "were never told what to do if a serious side effect or bad reaction materialized."

Rxers overworked

Part of the problem, both men agreed, was that pharmacists are often overworked and, according to studies done by pharmaceutical associations, spend only about 20% of their work time counseling or educating patients.

However, the computer is liberating today's pharmacist from much of the old paperwork and there is an opportunity to get more involved in counseling if the pharmacist is well informed.

"The manufacturer might have a very effective product," said Caputo, "one that if used properly could really help the patient. But many patients may never get to use the drug properly because pharmacists have

Store detailing study

not always been told everything they need to know to intelligently dispense the product."

"Because detailing costs are high and the detailist's time is limited," said Cohen, "manufacturers' detail reps typically aim at educating physicians . . . the primary detailing target. And many manufacturers typically make the information they have available for physicians serve double duty with the pharmacist.

"But each profession's informational needs are different. Pharmacists are more concerned with patient-oriented information. Physicians have other needs."

Only good news

Caputo also pointed out that manufacturers generally tell pharmacists the "good news" about their product, but often hold back the bad. "They irony is," he said, "that most pharmacists are not as anxious for the commercial as they are for realistic presentations that outline both the good and bad points about a product."

Most manufacturers achieve distribution through a drug chain by selling their products to corporate buyers located at chain headquarters. Cohen pointed out that manufacturers seem to be assuming that most product information will filter down from the corporate buyer to the in-store pharmacist. "That is not necessarily the case," he said. "Just 37% of all chain respondents were satisfied with the information they were receiving from chain headquarter bulletins."

"Pharmacists today," said Caputo, "are saying they must have access to all possible information about potential side effects. They are saying they desperately want that information."

Both Caputo and Cohen concluded that the survey findings show an enormous opportunity exists to improve the flow of communications from manufacturer through pharmacist through physician and consumer.

"We have a situation," said Caputo, "where the manufacturer and the pharmacist could be doing more to help each other help their patients but they are not taking advantage of it."

In concluding the presentation, Caputo and Cohen expressed hope that the situation will change, that "detail reps will begin visiting the stores in the frequencies desired by chains and high-volume independents, and that they will bring the pharmacist not just "commercials" about their products, but useful and thorough information.

Who teaches patients about their drugs

Doctors	63%
Pharmacists	25%
Books	19%
Newspapers	15%
Magazines	12%
TV	11%
Friends and Relatives	5%
Other health professionals	3%

Source: Prescription Drug Survey, AARP

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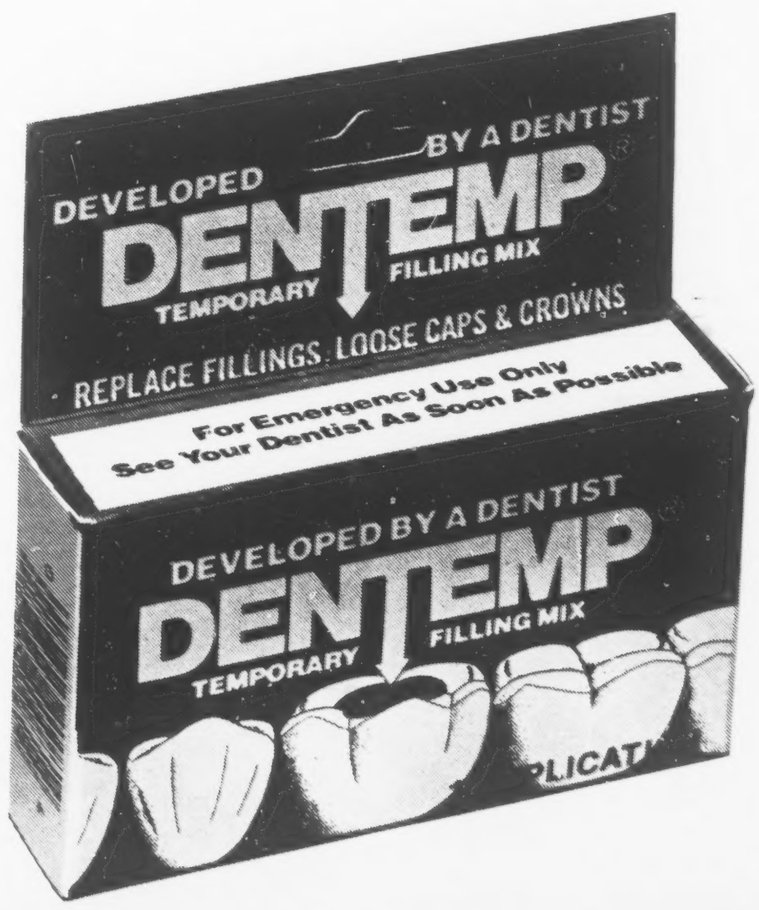

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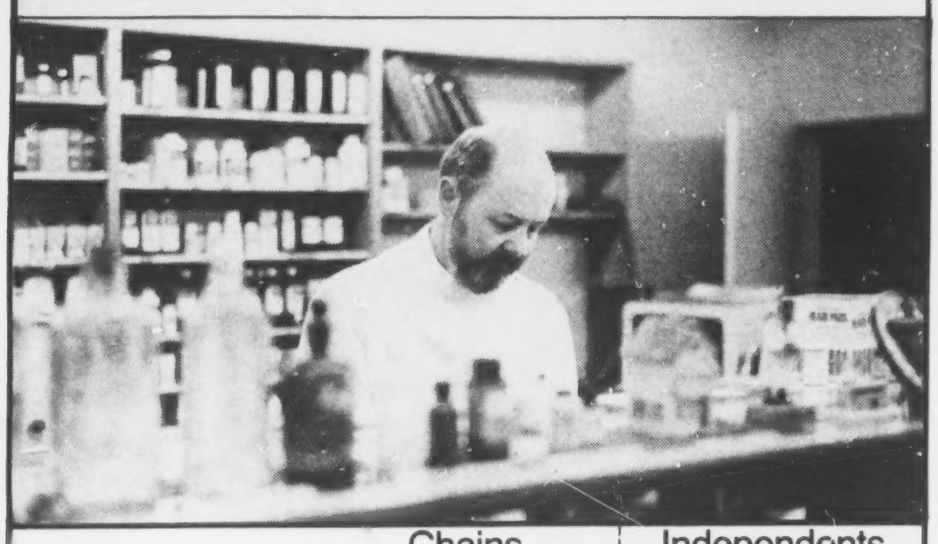
PHARMACY Rx

Retail Rxers want more visits by detailists



Frequency	Chains Actual visits	Chains Desired visits	Independents Actual visits	Independents Desired visits
Every 2 months	52%	69%	71%	79%
Every 3-6 months	30	24	22	20
Less than once every 6 months	15	4	4	3
Never	3	3	1	2

Source: *Drug Store News* 1984 Store Detailing Study

Pharmacists ask: Where's the detailist?

Continued from page 19

the actual day-to-day problems a pharmacist would want to be able to discuss with patients.

Four out of 10 of those who were dissatisfied said it was because the information currently available ignored negative aspects of a drug, possible side effects, interactions, etc. About 11% said detailmen didn't give enough information to allow them to reach a conclusion about the efficacy of the product

On the chain side, just 38% of 378 pharmacists considered the detailman an "extremely or very effective source" of patient product information.

It was clear, however, that the increased frequencies of visits left independent pharmacists much more satisfied: some 54% of the 152 independents in our survey rated the detailman as a highly effective source of information.

For chains, however, the more effective sources of information were reference guides like *Drug Store News*' Annual Pharmaceutical Reference,

Store detailing study

product package inserts, trade ads and trade news stories and manufacturer's direct mailings.

Bulletins from chain headquarters were ranked as very effective sources of information by less than 4 out of 10 respondents.

It's very likely that chain pharmacists see detailmen less frequently than independents because chains discourage in-store visits, instead chains rely on their corporate pharmaceutical buyers to distribute product information to the pharmacists in the stores. But it is clear from our study, that this information source is not working very effectively, and chain pharmacists as a result are less informed or at least they feel less informed about all the various aspects of pharmaceutical products than their independent counterparts.

At a presentation on the *Drug Store News* findings given earlier this month at the NACDS Pharmaceutical Show in Philadelphia, pharmaceutical editor Joe Caputo warned that lower detail frequencies and lack of adequate patient product information pose a potential threat to patient well being while they may also contribute to an increase in adverse side effects, potentially dangerous interactions and noncompliance.

Caputo said manufacturers should take a "serious look" at their detailing frequencies, particularly in reference to the individual chain stores, and that they should make every effort to give the chain store pharmacist the service levels and product information they require to remain "America's No. 1 trusted professional."

"We have a situation where the manufacturer and the pharmacist could be doing more to help each other," he said, "and they are not taking advantage of it."

Average daily script volume up 20% since 1981

	1984	1981	% change
Total outlets	128	107	20
Chain stores	128	107	20
Independents	124	106	17

Source: 1984 *Drug Store News* Store Detailing Study

For teething pain—

recommend alcohol-free* Baby orajel

It's the one teething remedy that pediatricians prefer most.

* important note:

The Committee on Drugs of the American Academy of Pediatrics has recommended "that no ethanol be included in medicinal products intended for use in children."[1]

[1]Comm. on Drugs, Amer. Acad. of Ped.: Ethanol in Liquid Preparations Intended for Children: Pediatrics 73:(3) March 1984 pp. 405-407.

America's #1 selling teething remedy.

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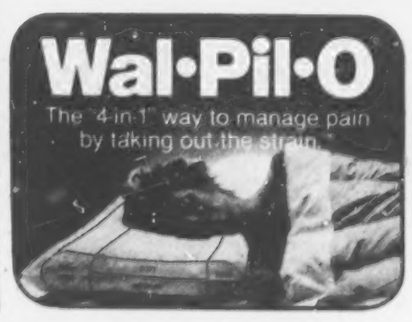

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WIN A trip to FREE BERMUDA

After Bite®, America's #1 insect bite treatment, will be bugging buyers by mail later this month.

Buyers on our list will receive "buggie" postcards and chances to win a trip for two to Bermuda. (Even if they can't take the trip, we'll donate its value to their favorite charity.)

If you haven't heard from us by October 20th, send us a note on your company letterhead and we'll make sure you're bugged. Maybe all the way to Bermuda.

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Inside:

1984 Annual Report of the Wholesale Drug Industry

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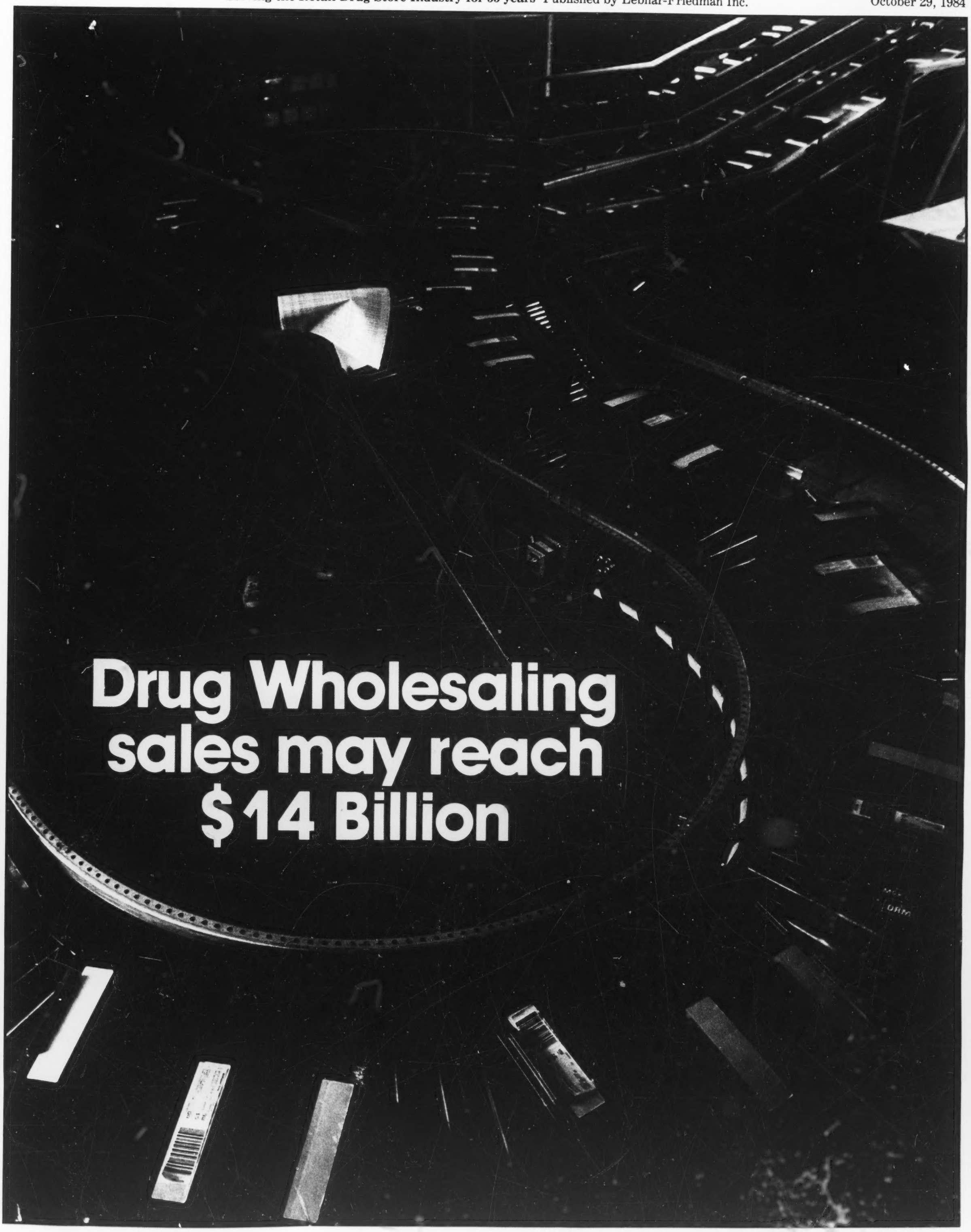
DRUG STORE NEWS®

Vol. 6/No. 23 Serving the Retail Drug Store Industry for 55 years Published by Lebhar-Friedman Inc. October 29, 1984



Drug Wholesaling sales may reach $14 Billion

Walgreens tops $2.7 billion in fiscal '83 sales

DEERFIELD, Ill. — Despite a slackening of its pace during the fourth quarter, the Walgreen Co. reported record fiscal sales and earnings for the 10th consecutive year.

For fiscal 1984 ended Aug. 31, Walgreens recorded corporate sales of $2.74 billion, up 16.3% over last year's $2.36 billion. In reaching that mark, Walgreens remained the top drug store chain by sales.

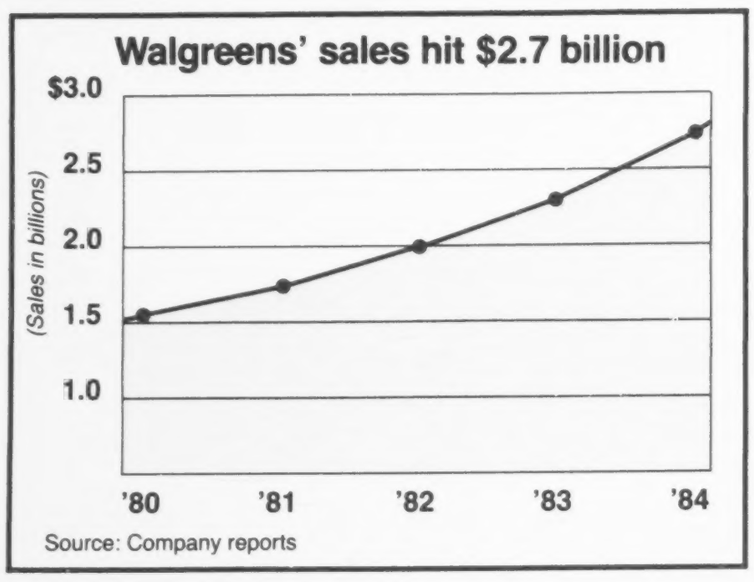
Net earnings for the year rose 22.4% to $85.4 million, putting Walgreens neck-and-neck with Eckerd, which two weeks earlier also reported fiscal year earnings of $85.4 million.

Walgreens' earnings, however, included a gain of $3.6 million on the fourth-quarter sale of its equity investment in its Sanborns Mexican operation.

The drug store division, which accounts for 90% of the chain's corporate sales, registered a 16.8% gain in sales for the year, while comparable store sales rose a solid 11.2%.

Pacing the drug division results were prescription sales, which jumped 22.8%. Chain president Fred F. Canning attributed sharp gains to Walgreens' Intercom pharmacy computer system, now on-line chainwide.

The financial results offered no surprises for the financial community, which characterized the chain's growth over the past 10 years as "calculated and smooth." Susan C. Schmierer of L. F. Rothschild, Unterberg, Towbin said she expected the chain would have no trouble hitting its goal of $3 billion in sales by 1985. To do so, Walgreens would need only an 11% sales increase for the year.



Analysts noted that the fourth-quarter earnings were softer than expected, especially in light of the $3.6 million gain from the Mexican operations. Without that factor, fourth-quarter profits actually dipped slightly, to $22.4 million from $22.5 million.

Analysts attributed the soft fourth-quarter results to overall weaker retail sales during the summer as well as to a smaller LIFO credit. This year's fourth-quarter credit was $1.6 million, or 3¢ a share, vs. 1983's $4.7 million, or 8¢ a share.

"But that was expected," said Value Line's Jerome Kaplan. "And since they increased the dividend [from 18¢ to 22¢ per share] you know it doesn't signal concern on their part."

For the fourth quarter, sales increased 15% to $684.2 million from $529.7 million in the corresponding year-earlier period. LIFO-adjusted net earnings rose to $26 million, up 15.7% from last year's $22.5 million.

Earnings per share were 85¢ vs. 73¢ in 1983.

"The quarter wasn't quite as strong as it could have been," said Schmierer, "but everyone experienced a weak point sometime during the summer."

During 1984, Walgreens opened 72 new drug stores, including its 1,000th drug store and its first new store in New York City. Forty-six units received major remodels. For 1985, 92 new Walgreens drug stores are on tap with plans for 10 more freestanding Wag's restaurants.

—News in brief—

Genovese opens Long Island unit

LINDENHURST, N.Y. — Genovese Drug Stores has opened a new 20,000-sq.-ft. drug store in Lindenhurst, Long Island, that features a 4,000-sq.-ft. home health care department and a full-line automotive department. It is the first Genovese store to group both the auto and home and health care retailing concepts under one roof. Earlier this year, Genovese opened its first freestanding home health care unit in Queens, N.Y., and more recently, unveiled a full-line automotive department in a new store in Jackson Heights, N.Y.

Sherwin-Williams earnings up

CLEVELAND — Sherwin-Williams reported third-quarter earnings of $25.3 million on sales of $552.5 million. This represents a 9.6% increase in earnings and a 4.2% gain in sales.

According to company chairman, president and ceo John G. Breen, the paint store segment reported healthy sales and earnings. The Gray Drug Fair division, however, "lost the sales momentum of the first two quarters of the year, and our new management team is working to regain it."

SupeRx's Thole new Fla. vp

CINCINNATI — SupeRx has named Jerry Thole to the new position of vp of Florida operations. Thole will be responsible for the food/drug combination store operations in that division. Thole was formerly vp operations.

According to SupeRx spokesman Bob Griffith, the move was made to "strengthen our commitment to the growing Florida division."

McKesson antitrust order ends

WASHINGTON — The Federal Trade Commission officially eliminated the final remaining provision of a 17-year-old antitrust order against McKesson.

That order, triggered by Foremost Dairies acquisition of McKesson & Robbins almost two decades ago, stemmed from FTC charges that the takeover "lessened competition in drug wholesaling and in the manufacture and sale of pharmaceutical preparations."

Over the years most of the restrictions imposed on McKesson by the 1967 order were lifted in response to shifts in the marketplace.

FTC set aside the sole remaining provision—a requirement that the firm sell crude lactose at "reasonable, nondiscriminatory prices" to other United States producers of pharmaceutical grade lactose—because McKesson sold its lactose production facilities earlier this year.

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Vol. 6, No. 23 October 29, 1984

Pay 'n Save sells Sportswest; analysts see more divestiture

SEATTLE — Pay 'n Save's sale of 10 Sportswest stores to United Merchandising of Los Angeles may foreshadow other divestitures as Acquicorp, the Trump Group subsidiary that will take over the company, seeks to cut its indebtedness from the leveraged buyout.

Some analysts believe, in fact, that Acquicorp might sell off all of Pay 'n Save's divisions piecemeal. Ernie Domas, analyst for Piper Jaffray & Hopwood, said, "The parts are worth much more than the whole."

And Jeff Atkin of Cable Howse & Ragan, added that selling of the divisions one-by-one would yield $25 to $30 per share, vs. the $23.50 per share it cost Trump to acquire Pay 'n Save.

Acquicorp conceded in its tender offer that it was "considering selling one or more of the company's businesses and applying the proceeds to pay indebtedness," which amounts to $322 million. Of that total, $176 million must be paid to General Electric Credit Corp. in nine months, although that obligation is backed by long- and short-term commitments.

Despite the industry speculation, Cal Hendricks, Pay 'n Save's vice chairman, said that divestiture discussions are premature because the tender transaction has not been completed.

He said that negotiations to sell Sportswest started several months before the Trump buyout.

If Acquicorp divests, what would be its priorities?

Experts feel that Price Savers Wholesale Club would be the first to go. Says Atkin: "They are losing money. They

Continued on page 67

Stiffer penalties approved for Rxers who divert drugs

WASHINGTON — Pharmacists convicted of diverting controlled substances will soon face up to 15 years in prison for a first offense.

That is one of the provisions if a new Federal anticrime law passed by Congress last month.

The new law, which won final approval only hours before Congress adjourned for the election campaign recess earlier this month, triples the maximum Federal prison sentences to 15 years for first offenders, and allows the courts to incarcerate drug-diverting pharmacists convicted of repeat offenses for as many as 30 years.

These stiff new penalties—which apply also to nonpharmacists who illegally distribute or manufacture amphetamines, barbiturates or other Schedule II nonnarcotic substances—are on top of increased fines of $20,000 to $50,000 per violation.

Although Congress acknowledged in an accompanying report that only a "small number" of the nation's pharmacists engage in diversion, that report makes it clear that retail pharmacies are considered the main trouble area.

"The retail level is believed to be the principal source from which drugs are 'diverted' from legitimate medical use to drug abusers," the committee report noted.

The law permits the Justice Department to use more flexible standards in suspending or revoking pharmacy registrations.

Under the previous law, D.E.A. could lift a pharmacy's registration in following the pharmacist's conviction of a controlled substance-related felony, a decision by state officials to deny, revoke or suspend

Continued on page 67

AT&T discount plan in full swing; but retailers put opinions on hold

NEW YORK — AT&T is calling on chain drug executives to support its new $10 million "Opportunity Calling" consumer-discount program.

Drug retailers, in their initial assessment, believe the giant consumer promotion, which is designed to boost AT&T's long-distance telephone revenue, has promotional promise, but that it will have to build before it can have any impact on chain drug store sales.

In the first of four annual catalogs mailed last spring, AT&T offered consumers dollar credits that can be applied toward the purchase of a variety of selected retail merchandise whenever they spend a minimum of $15 in long-distance calls a month.

The dollar credits can be converted to AT&T discount certificates, which can be used at participating retail stores; or consumers can purchase an item covered under the promotion at nonparticipating retail outlets and receive a rebate from AT&T.

Some 26 million consumers received that initial spring catalog and those who have accumulated credits should be hitting drug stores and other retail outlets sometime this month to redeem their certificates. Another catalog is being mailed this fall.

So far a number of drug chains say they will passively participate in the program by redeeming the coupons, but that future catalogs will have to be expanded to include more traditional drug store products if they are to become actively involved.

"We think it's a good opportunity because it's AT&T," said Ken Banks, director of advertising and sales at Eckerd Drug, "but we're still trying to determine all the possibilities

Continued on page 67

FINANCIAL

Thrifty net income up 24% over fiscal 1983

LOS ANGELES — Thrifty Corp. reported that net income for the year ended Aug. 31 rose 24% to $27.9 million from $22.5 million in fiscal 1983.

Sales during the 12-month period increased 9.4% to $1.3 billion from $1.2 billion the previous year. The company said that same-store sales in its Thrifty Drug and Discount stores were up 9.1% over the previous year.

On a per-share basis, earnings rose 24% to $1.40, compared with $1.13 the previous year.

Thrifty posted a less favorable showing, however, in its Crown Books and Trak Auto West divisions. The combination of an earnings gain by Crown Books Corp., which is 34% owned by Thrifty, and a loss posted by Trak Auto West Inc., 50% owned by Thrifty, lowered Thrifty's net income before taxes nearly $2.8 million, the company said.

Fourth-quarter net earnings increased 27.5% to $7.7 million from $6 million during the same quarter in 1983. Earnings per share were 38¢.

Sales for the fourth quarter increased 8% to $338 million from $312 million in the same quarter in 1983. On a same-store basis, Thrifty said fourth-quarter sales were up 7.9% from the fourth quarter of the previous fiscal year.

American debt rating reduced

NEW YORK — Moody's Investors Service reduced the ratings on American Stores Company's senior debt to Baa2 from Baa1. Moody's also lowered the ratings on senior unsecured debt of the Jewel Companies Inc. to Baa2 from A2.

17 Gainers
6 Unchanged
33 Losers

Top five gainers

Company	2-week % change	Closing price 10/8
Adams Drug	+36.17	$24.00
ICN Pharm	+11.43	9.75
GD Searle	+11.33	57.75
Ketchum	+ 9.01	15.88
Genovese	+ 4.55	14.38

Five top losers

Company	2-week % change	Closing price 10/8
Key Pharm	−22.31	$11.75
Cooper Labs	−20.59	16.88
Drug Systems	−11.11	4.00
Abbott Labs	−10.92	38.75
Carter-Wallace	− 9.18	22.25

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		From 09/21/84 - 10/08/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change			5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.		Pct			Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$		%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																												
Adams Drug	ADG	24.00	16.75	24.00	6.38	36.17	24.75	11.00	1.42	.89	12.91	-9.16	1.74	.56	Q	47.4	42.0	2.4	13.8	.04	.2	09-10-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	40.75	37.88	38.13	-2.38	-5.86	43.75	26.50	.29	-.61	-.07	-3.92	3.61	.87	S	27.9	51.0	1.5	9.6	.64	1.7	09-18-84	7983.7	117.9	1.5	12.39	15.26	0184
Begley Co	BGLY	15.50	15.50	15.50	.00	.00	22.00	14.50	.04	.14	-7.02	75.00	1.47	1.46	N	NC	-10.0	1.4	10.6	.68	4.4	07-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	11.50	11.13	11.25	-.13	-1.10	13.25	8.88	.33	-.05	3.15	81.77	.53	.14	Q	33.3	23.0	3.0	20.1	.00	0	09-21-83	117.0	3.5	2.3	.18	3.88	0183
Drug Sys	DRGS	4.25	4.00	4.00	-.50	-11.11	7.50	3.25	.15	.08	-1.96	-15.48	.56	-.16	F	-22.2	NC	2.1	7.1	.00	0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	26.50	25.38	26.25	.50	1.94	29.38	20.25	.40	.20	1.22	15.33	1.91	.31	N	16.5	6.0	3.1	12.0	1.00	3.8	09-10-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	11.00	10.25	10.25	-.75	-6.82	14.50	8.38	.00	-.61	-.53	1.88	.60	.15	S	29.4	52.0	2.6	15.5	.20	2.0	09-24-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	14.38	12.50	14.38	.63	4.55	20.50	11.50	-.49	2.83	-2.28	4.26	.96	.25	S	32.0	70.0	2.0	14.0	.20	1.4	09-17-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	22.50	22.25	22.50	.00	.00	29.50	18.50	.10	.43	-4.26	-21.62	2.01	-.07	S	-3.5	8.0	2.7	11.8	1.00	4.4	07-09-84	320.5	8.7	1.7	2.75	10.38	1283
Longs Drg Strs	LDG	43.13	41.13	41.38	-1.75	-4.06	49.75	34.00	.26	.04	-3.55	7.08	3.43	.41	S	12.9	11.0	3.0	11.6	1.28	3.1	08-28-84	1214.4	36.4	1.9	.00	21.13	0184
Pay N Save	PAYN	23.25	23.13	23.25	.13	.54	28.75	14.38	.71	.13	-6.46	-20.32	2.02	-.23	S	-13.2	.0	2.5	15.5	.60	2.6	08-20-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	22.13	19.50	20.63	-1.13	-5.17	23.50	14.00	-.11	.56	-1.18	-2.98	1.35	.34	S	29.8	4.0	2.9	13.9	.34	1.6	09-17-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	18.38	17.38	17.50	-.25	-1.41	22.38	12.38	.30	-.23	.79	-56.46	1.02	.45	N	52.9	12.0	1.6	13.5	.24	1.4	08-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	30.63	27.88	28.63	.25	.88	37.50	24.00	-.24	.29	-4.70	6.82	2.54	.52	Q	26.0	26.0	4.2	11.4	.80	2.8	08-20-84	2227.5	93.4	2.1	1.08	12.22	0584
Rite Aid Corp	RAD	25.25	23.00	23.00	-1.38	-5.64	26.50	17.50	.09	-.59	.23	42.79	1.47	.30	S	23.4	29.0	5.1	14.6	.41	1.8	07-13-84	1223.3	62.2	2.3	.49	7.68	0284
Thrifty Cp	TFD	19.25	17.50	18.00	-.38	-2.04	20.38	11.50	.16	.55	-.51	-6.33	1.13	.27	N	25.7	19.0	1.9	13.6	.52	2.9	08-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	39.13	37.50	37.88	-1.38	-3.50	42.00	28.63	-.06	.24	3.50	-9.60	2.27	.58	N	27.8	33.0	3.0	14.2	.72	1.9	08-13-84	2360.6	69.8	1.6	1.76	11.47	0883
Wholesaler's transactions																												
Bergen Bruns	BBCA	23.63	20.13	22.88	.50	2.23	29.88	19.00	-.12	1.10	11.69	27.87	1.60	.28	N	17.9	37.0	1.4	12.4	.32	1.4	07-26-84	1452.0	20.0	1.6	1.22	9.99	0883
Cardinal Dist	CDIC	17.50	16.75	16.75	.00	.00	19.25	14.00	.29	.16	1.69	16.07	1.01	1.01	Q	NC	27.0	1.1	16.6	.00	0	00-00-00	243.3	2.6	1.8	1.01	6.50	0384
Durr Fillauer	DUFM	13.75	12.75	13.25	-1.25	-8.62	16.50	10.25	-.26	.51	-2.12	-.40	.80	.09	S	12.0	21.0	1.9	15.8	.16	1.2	08-20-84	263.2	5.0	2.3	2.03	6.80	1283
McKesson Cp	MCK	39.25	38.00	39.00	.75	1.96	44.25	32.38	.25	.08	2.19	8.39	3.25	-.07	Q	-2.1	.0	1.5	12.2	2.40	6.2	08-28-84	4260.0	63.0	1.4	10.45	30.25	0384
Foxmeyer Cp	FOXM	24.00	23.00	23.75	-.25	-1.04	26.75	20.00	-.19	-.06	-1.92	-66.70	1.27	.33	F	35.1	51.0	1.1	18.7	.00	0	00-00-00	464.2	5.2	2.0	3.95	11.86	0384
Ketchum	KCH	16.13	14.25	15.88	1.31	9.01	20.19	10.09	.57	1.15	4.47	17.14	.77	-.26	Q	-29.2	87.0	.3	25.2	.00	0	09-24-84	245.1	.8	1.5	6.37	6.74	0484
Owens & Minor	OBOD	14.50	13.50	13.75	-.25	-1.79	17.50	11.25	-.17	-.78	-5.29	26.47	1.41	.17	S	14.5	10.0	1.2	10.3	.36	2.6	06-06-84	255.2	3.0	2.8	5.07	11.69	1283
Specio Indus	SPO	25.00	23.00	23.63	-.50	-2.07	25.00	15.50	.21	-.73	2.49	-58.37	1.78	.49	Q	35.0	54.0	1.8	12.5	.14	.6	09-24-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																												
Abbott Labs	ABT	43.25	38.50	38.75	-4.75	-10.92	52.75	38.25	-.65	-1.08	3.09	-18.48	2.86	.51	S	19.6	26.0	11.9	12.5	1.20	3.1	10-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	49.38	48.13	48.75	-.38	-.76	55.75	48.13	-.29	.15	.75	-10.71	4.00	.46	S	12.2	16.0	12.9	11.6	2.64	5.4	08-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	15.00	13.25	13.75	-1.00	-6.78	29.38	13.25	-.79	-.24	3.55	20.65	1.45	-.01	S	-.7	22.0	11.8	10.3	.33	2.4	08-31-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	27.00	27.00	27.00	.00	.00	28.25	25.00	.13	.17	-.37	.00	3.28	.33	F	11.1	16.0	10.0	8.2	1.00	3.7	08-28-84	238.2	23.9	2.5	2.35	17.84	0383
Bolar Pharm	BLR	28.00	24.00	25.13	.25	1.01	32.00	17.50	-.84	-.01	-1.38	-42.07	1.15	.13	S	13.0	46.0	19.2	22.2	.05	.2	02-10-84	25.5	4.9	4.5	.00	4.76	1283
Bristol-Myers	BMY	47.50	43.63	44.00	-3.13	-6.63	50.38	40.75	-.22	-.41	1.03	23.84	3.00	.47	S	16.9	19.0	10.4	13.6	1.60	3.6	10-01-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	24.75	22.00	22.25	-2.25	-9.18	26.38	19.38	-.22	-.85	5.68	44.92	2.37	1.91	Q	329.3	31.0	5.7	8.9	.48	2.2	07-26-84	323.1	18.4	2.4	1.69	21.87	0384
Cooper Labs	COO	21.25	16.75	16.88	-4.38	-20.59	27.00	10.38	-.85	-.05	5.91	-24.88	NA	NA		NA	NA	NA	NA	.12	.7	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	14.75	12.75	12.88	-1.88	-12.71	34.88	11.25	.34	-.61	-4.32	24.64	.54	.08	Q	16.6	56.0	14.8	23.0	.00	0	01-14-83	19.6	2.9	8.3	.28	5.42	0384
ICN Pharm	ICN	9.75	8.50	9.75	1.00	11.43	9.75	4.88	.55	2.96	-.14	28.54	.22	-.09	S	-32.1	42.0	5.1	51.3	.00	0	00-00-00	37.0	1.9	4.3	.20	4.34	1183
Key Pharm	KPH	15.13	11.00	11.75	-3.38	-22.31	20.25	10.63	-.97	-2.77	9.15	6.70	.51	.20	S	50.0	78.0	14.8	19.6	.16	1.4	09-10-84	127.3	18.8	2.1	1.16	1.67	1283
Lilly Eli Co	LLY	58.00	54.88	57.50	1.63	2.91	68.38	53.00	-.01	.50	4.70	-.34	6.13	.96	S	17.2	12.0	15.1	8.8	2.90	5.0	08-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.00	2.75	2.75	-.25	-8.33	3.75	2.00	-.11	.22	-.50	31.08	-.49	.23	N	NE	-92.0	-14.3	NE	.00	0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	40.25	37.63	37.75	.00	.00	46.50	27.25	.15	-1.11	-6.35	-9.47	1.24	.46	F	58.9	55.0	10.6	30.4	.40	1.1	09-12-84	226.4	24.1	2.5	.05	5.93	0683
Merck & Co	MRK	85.38	80.00	80.50	-1.50	-1.83	104.63	78.25	.00	-.73	-2.45	27.24	6.10	.53	S	9.0	7.0	13.9	12.7	3.00	3.7	08-31-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	88.00	83.25	84.50	1.00	1.20	88.00	60.00	.24	-.16	1.70	1.36	6.50	1.35	F	26.2	23.0	5.5	13.0	1.76	2.1	08-27-84	2001.5	109.8	1.5	8.82	37.54	0684
Mylan Labs	MYLN	25.38	23.00	24.50	-.25	-1.0*	35.13	7.97	-.61	-.15	-4.71	-.75	.40	.24	Q	77.4	98.0	12.7	44.5	.03	.1	08-01-84	36.9	4.7	5.4	.21	1.52	0384
Newport Pharm	NWPH	7.00	5.13	5.50	-.25	-4.35	9.63	2.75	2.21	.38	4.85	4.06	-.21	-.18	F	NE	9.0	-26.0	NE	.00	0	00-00-00	7.7	-2.0	2.6	.22	.93	0484
Pfizer Inc	PFE	36.13	34.25	34.38	-1.25	-3.51	43.25	29.38	-.11	.28	.55	-10.05	2.73	.53	S	22.4	18.0	11.9	11.9	1.32	3.8	07-26-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.56	3.25	3.25	.13	4.00	4.75	2.75	.70	-.92	-3.60	-15.05	.12	.02	F	20.0	107.0	6.7	27.1	.04	1.2	12-10-84	13.4	.9	3.1	.03	.80	0683
Robins, AH	RAH	18.75	17.50	17.75	.00	.00	28.50	12.00	.70	-.29	-3.20	-20.09	2.40	-.29	S	-12.7	15.0	10.3	8.9	.76	4.3	08-20-84	563.5	58.2	3.2	1.36	14.69	1283
Rorer Group	ROR	34.00	29.50	30.00	-3.13	-9.43	34.25	25.25	-.05	-1.57	.20	29.13	2.02	.28	S	15.3	10.0	8.9	14.2	1.08	3.6	08-06-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	9.50	8.88	9.50	.38	4.11	18.75	8.88	-.12	.42	2.21	5.87	.52	-.40	Q	-44.4	-5.0	2.3	19.0	.32	3.4	09-12-84	171.7	4.0	1.9	4.83	11.14	0384
Searle, GD	SRL	60.75	50.00	57.75	5.88	11.33	60.75	37.50	.79	-.26	6.03	-16.16	2.39	.77	S	30.3	15.0	12.6	19.6	.52	.9	08-07-84	946.0	119.0	2.4	3.62	14.85	1283
Squibb Corp	SQB	49.50	45.00	46.25	-.38	-.80	53.38	37.50	.08	.51	.78	-40.48	3.31	.38	S	12.2	11.0	9.8	13.3	1.44	3.1	08-13-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	26.50	25.75	26.13	.25	.97	29.63	23.50	.14	.15	-.40	26.55	2.24	.15	S	6.9	7.0	7.2	11.3	1.16	4.4	08-09-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	48.00	45.00	46.63	-1.13	-2.36	60.25	37.75	.14	.43	-2.21	-42.58	4.08	-.22	F	-5.1	28.0	14.7	11.4	1.60	3.4	08-13-84	916.5	134.6	2.2	3.37	18.11	0783
Thompson Med	TM	19.75	16.38	18.00	-1.75	-8.86	26.50	12.75	-1.09	1.65	7.76	16.99	1.65	.78	S	55.7	70.0	11.0	8.3	.40	2.2	09-11-84	149.4	16.5	3.2	.00	5.85	1183
Upjohn Co	UPJ	53.88	52.25	53.13	.88	1.67	72.25	45.00	.03	.70	-.14	17.45	5.28	1.59	S	35.8	3.0	8.1	8.8	2.56	4.8	10-01-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	32.25	30.50	30.88	-1.13	-3.52	36.75	27.75	-.24	.10	1.67	-7.76	2.51	.51	S	23.3	1.0	6.5	11.5	1.48	4.8	08-06-84	3108.3	200.5	1.9	7.53	17.75	1283
Zenith Labs	ZENI	17.50	16.25	16.75	-.50	-2.90	18.50	12.00	.13	.40	1.83	66.79	.73	-.43	S	-45.2	56.0	7.8	32.2	.00	0	00-00-00	32.1	2.5	4.6	1.12	5.12	1283

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

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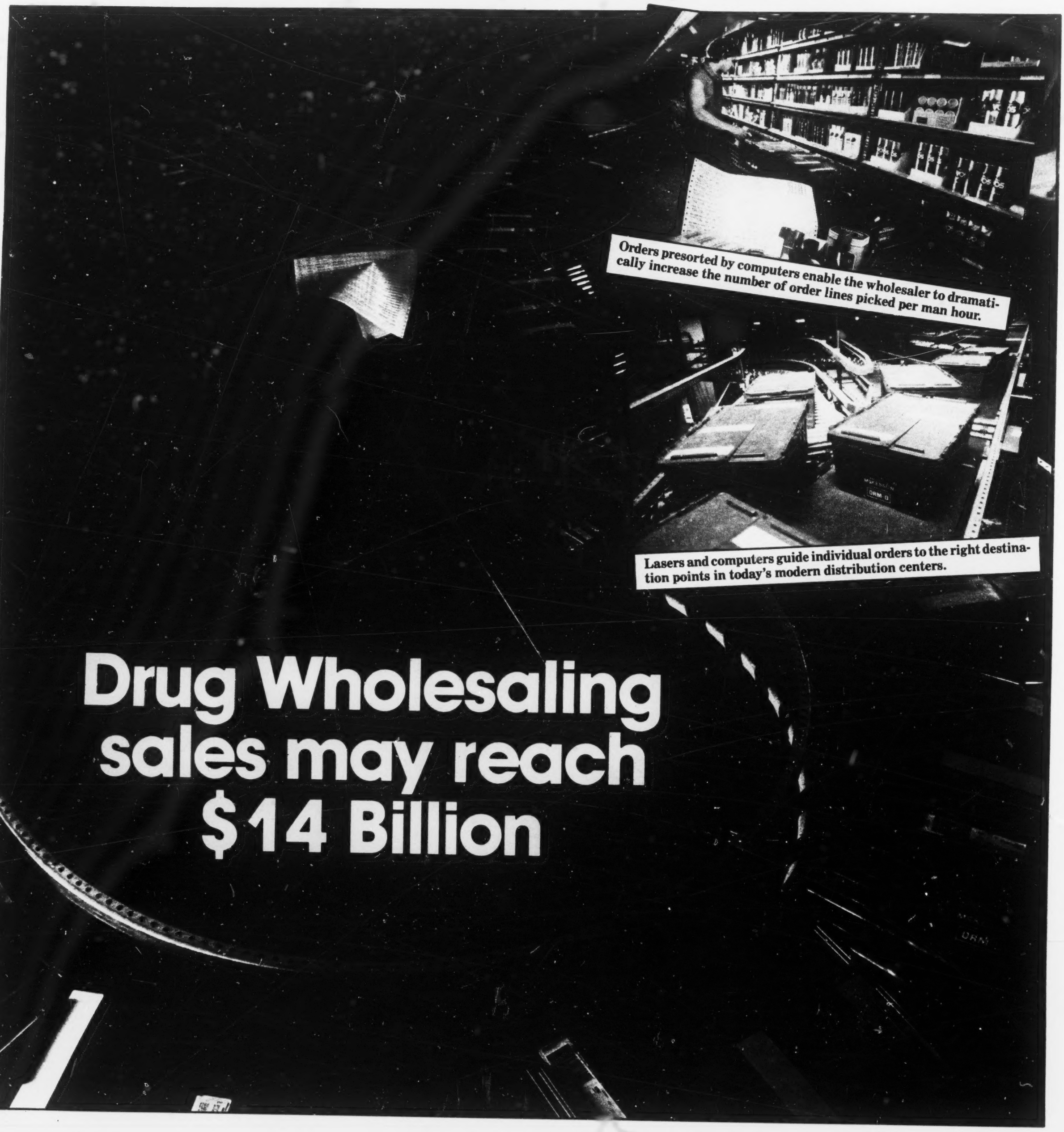
1984 Annual Report of the Wholesale Drug Industry



Orders presorted by computers enable the wholesaler to dramatically increase the number of order lines picked per man hour.

Lasers and computers guide individual orders to the right destination points in today's modern distribution centers.

Drug Wholesaling sales may reach $14 Billion

The wholesale drug industry in 1984 is continuing to expand dramatically—both in product lines carried and in types of customers serviced.

The major companies are either expanding their product lines to achieve greater sales penetrations from their current customer base or are studying the possibilities of such an expansion.

There is an intense effort to attract new customers, specifically hospitals, nursing home suppliers, HMO's and other similar accounts. There is some trend toward consolidation of facilities so that companies can achieve the operational efficiencies that come from pumping a higher sales volume through single centers. And there is a major thrust in automating programs so that productivity savings can be realized.

There is a growing emphasis on developing voluntary or cooperative advertising customers so that independent retailers can be armed to compete on a more aggressive level with the chains, and there is a great amount of energy being devoted to the development of new merchandising programs that will support the retailer as he or she expands in-store mix of products, particularly in such hot growth categories as home health care convalescent aids.

There is also a new onslaught of "acquisition fever" sweeping the industry as price-earnings multiples return to more acceptable purchasing levels and as growth-minded tigers such as FoxMeyer knuckle down to the business of spending the capital they raised from going public.

Almost all of the companies interviewed by *Drug Store News* for this report were broadening their product line base in 1984. McKesson has developed a full-line stationery and home and school supplies program as well as a full line of medical-surgical supplies. It was adding such new lines as pet care, reading glasses, hosiery, hair lotions and fragrances to its mix.

Bergen Brunswig was rolling out a stationery program and filling in products for such categories as watches, pantyhose, batteries, baby care, lawn chairs and other seasonals, etc. McPike was expanding its selection of home health care and durable medical equipment, as well

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as continuing its emphasis on fragrances.

Amfac was studing the possibility of product-line expansions. Durr-Fillauer was diversifying into stationery and school supplies. Drug Service, a division of Synergex, which only a few years ago expanded heavily into H&BA products, was investigating a wide variety of other product expansions, including electronics, candy, tobacco and food. Ketchum Distributors had completed the rollout of 16 new merchandising departments and was preparing to launch a second phase of rollouts.

Just about everyone was developing or introducing home health care programs.

"You know that because of automated order/entry systems, most retail customers are using one wholesaler as their primary or main vendor," said Mel Whitmire, president of Drug Service, "and that means that since they're buying primarily from one source, they're continuing to demand additional products.

"From a wholesaler's point of view, of course, the more we can sell them, as long as we can turn it fast enough and handle it efficiently enough, the more we can grow," Whitmire added.

"When we had shorter product lines, we got less of the retailer's business," said Doug Thompson, sr. vp of distribution planning for McKesson Corp. "We prosper by expanding our product lines. We get deeper penetration into the drug stores we service."

Fuller-line companies such as McKesson and Bergen were estimating that they were now supplying 63% to 65% of an average retail customer's wholesaler needs, as opposed to less than 50% four or five years ago.

Home health looks promising

Home health care, because of the general aging of the population and because more hospitals are discharging patients earlier today to improve their own cost efficiencies, was regarded by nearly every wholesaler as a particularly promising potential new market.

Top 20 drug wholesalers

	Fiscal year ending	Estimated current year sales from drug wholesaling	% change over last year	% of total company sales generated by wholesale division
1. McKesson Drug & Health Care, San Francisco	3/31/85	$2.7B	18%	59%
2. Bergen Brunswig, Los Angeles	8/31/84	$1.4B	21	80
3. Alco Standard, Valley Forge, Pa.	9/31/84	$850M	28	25
4. FoxMeyer, Denver	3/31/85	$800M	72	94
5. Bindley Western, Indianapolis	12/31/84	$575M	20	100
6. Harris, Solon, Ohio	4/30/85	$520M	22	100
7. Amfac Burlingame, Calif.	12/31/84	$492M	10	22
8. Spectro, Jenkington, Pa.	3/27/85	$450M	15	95
9. McPike, Kansas City, Mo.	4/30/85	$349M	15	100
10. Owens & Minor, Richmond	12/31/84	$300M	18	97
11. Drug Services**, Fresno, Calif.	6/30/85	$280M	18	72
12. Ketchum, Newington, Conn.	4/30/85	$267M	15	95
13. Kauffman-Lattimer, Columbus, Ohio	9/30/84	$250M	19	100
14. Humiston-Keeling, Chicago	4/30/85	$220M	12	100
15. Durr Fillauer, Montgomery, Ala.	12/31/84	$210M	20	58
16. Southwestern, Dallas	12/31/84	$200M	18	100
17. S-P Drugs, Brooklyn, N.Y.	4/30/85	$160M	15	100
18. LAD, Rosemead, Calif.	12/31/84	$151M	16	80
19. *Cardinal Drug Distribution, Columbus, Ohio	3/31/85	$150M	291	43
20. Northwestern, Auborn, Wash.	1/31/85	$150M	20	100

Source: *Drug Store News* Wholesaler Sales Survey

*Cardinal owns Baily Drug & Ellicott Drug
**Acquired by Bergen Brunswig

***Drug Store News'* first Wholesaler Trends Survey was done in the late summer and fall of this year with the assistance of the National Wholesale Druggists' Association (NWDA).**

The survey was sent to the corporate headquarters of 107 companies operating a total of 321 distribution facilities.

The companies we surveyed generated more than $10.3 billion in sales in 1983, approximately 90% of total sales for the wholesale drug industry.

Response rate for the survey exceeded 19% and included companies operating as few as one, to as many as 50 distribution centers.

Joe Polastri, general manager of McKesson's Drug Services, was developing a new program for McKesson customers in the belief that home health care sales are going to continue to go "straight up." McKesson, like Drug Service, was using the resources of one of its divisions, the Sun Mark Home Health Care Company, to support and enrich its developing home health care program.

Drug Service was planning to use the sources and contacts developed by its sister division, Hospital Services and Supplies, to strengthen its particular home health care program.

"This is a very large potential market," said Whitmire, "and it's going to grow rapidly."

Tom Coulbourn, executive vp of Owens & Minor, called home health care "one of the most significant areas of opportunity for the retail druggist to come along in years." John Wilcox, director of sales and marketing for McPike, said the growth prospects were "phenomenal."

"In the past year, we have more than tripled our sales in this category," he said.

Entwined with the enthusiasm for home health care lines was a comparable enthusiasm for hospital accounts, seen by most wholesalers as an area for strong and dramatic sales gains.

Some wholesalers such as Owens & Minor and Drug Service were already generating a substantial percentage of total sales (45% and 50%, respectively) through hospitals, while others such as McKesson were experiencing growth rates in excess of 30%. For fiscal 1985, approximately 12% of McKesson's total sales for its wholesale division is expected to come from hospitals.

In contrast, most wholesalers reported that their growth rate among independent retailers, traditionally the wholesaler's strongest customer base, were flat or up only slightly.

Chains, surprisingly enough, were also considered a growth area for many wholesalers, and not just for those located on the West Coast. Because the wholesale industry in the past 10 years has consistently been able to lower operating expenses, pricing has become more and more competitive.

"Chains are finding that in many cases they can acquire products more efficiently from us than they can buying it direct," said a source from Bergen.

Hospital share targeted

Hospitals were also learning that same lesson. Emil Martini Jr., chairman and ceo of Bergen, estimated that within five years the wholesale industry will have a higher share of the hospital markets sales than they have today from retail drug stores.

"The hospitals are learning," said Martini, "that most wholesalers can supply them cheaper than if they buy direct. Plus, wholesalers can help keep their costs down by keeping their inventories down. And if they buy from a primary wholesaler, they deal with one invoice and one delivery. If they buy direct, they're dealing with dozens of invoices and deliveries. The cost savings are substantial."

Much of the dollar growth that the wholesale drug industry has been able to generate in the past few years has resulted from operating efficiencies that have reduced margins and made the wholesalers more price-competitive.

To some wholesalers and to some analysts on Wall Street, the decline in profit margins (down to 9.77 on average in 1983 compared with 10.48 last year and 11.63 in 1978) is serious, portending a worrisome return to the dog-eat-dog days that threatened to destroy the industry in the early to mid-70's.

But to the bigger and more progressive companies that have been able to reduce margins and lower prices through operating improvements, the trend was not frightening, but promising.

They agreed with National Wholesale Druggists' Association president Bill Ford, who pointed out that the decline in margins is offset "by an almost parallel reduction in operating expenses."

Operating expenses to net sales, Ford said, were down 7% to 7.21% in 1983 while operating expenses to gross profits were down nearly 8% to 73.82%.

"Very strong year"

Ford called 1983, a year in which the wholesale industry generated a 17% increase in sales to nearly $12 billion, "a very strong year for drug wholesalers." He said NWDA's findings indicate that the industry is continuing "to move ahead aggressively in such areas as sales growth, expense reduction, average line extensions, inventory and total asset turns and receivables."

"What you're seeing today is what I call 'value-pricing,' " said Whitmire of Drug Service. "Wholesalers may be cutting their prices but when they do they compensate by reducing collection periods."

In fact, NWDA's latest operations surveys show that the average collection period for a wholesaler today is 26.44 days, compared with 28.42 days in 1982 and 37.03 days in 1975.

The NWDA survey also shows that wholesalers are doing an excellent job on other significant profit indicators including: return on total assets, average line extensions, inventory turns, reduction of operating expenses as a percentage of both gross profits and net sales, net profit percentages and return on net worth.

"Our volume is going up and our costs of handling are going down," said Bill Williamson, chairman and ceo of Durr-Fillauer, "and that makes us the most cost-effective distribution industry in America."

Automation continues

To continue to fuel that trend, most wholesalers in 1984 were continuing to automate, upgrade or expand existing distribution facilities.

McKesson, Southwestern Drug and others were continuing to consolidate by closing older and smaller facilities while replacing them with larger ones capable of handling higher volumes and operating more efficiently. In eight years, McKesson has gone from more than 90 facilities to 50, while Southwestern has gone from 11 to four d.c.'s.

The higher-volume facilities are also being automated; automation sortation systems are being added, more programs are being computerized, scanners are being installed into higher volume d.c.'s to route orders, and at least one wholesaler, Bergen Brunswig, is testing automatic single-item picking machines in one of its highest-volume d.c.'s—while Southwestern is preparing to go on line with a "state of the art" perpetual inventory automatic replenishment system.

"For productivity enhancements,"

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Number of wholesaler distribution centers in operation

Company	1984	1983
McKesson Drug	49	50
Amfac Drug	41	42
Bergen Brunswig	29	29
Owens Minor	23	20
FoxMeyer	15	11
Drug Services	10	9
Bindley Western	6	6
Harris Wholesalers	6	5
Durr Fillauer	5	5
Spectro	5	5
Humiston-Keeling	4	4
Kauffman-Lattimer	4	4
Southwestern Drug	4	4
LAD Drug	4	4
Ketchum Distributors	4	4
Cardinal Distributors	4	1

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Drug wholesaling sales may reach $14 billion

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says Steve Westall, senior vice president of LAD Drug, "we are shrinking the size of the areas we work in, picking more efficiently, computerizing stock replenishments, computerizing sortation systems, conveyor systems, etc.

"Even though all of our d.c.'s except one are unionized, we've still managed to reduce operating expenses as a percentage of sales from a high of 8% a few years ago to 5% today."

A few wholesalers think the industry today may have gone about as far as it's able to go in reducing operating expenses, but Westall disagrees.

"I think the wholesale industry is going to continue to grow like this. The companies in this industry have always been innovative. Look at order/entry. In a short while, you're going to see a great surge in automatic order replenishments and that will lead to additional cost savings."

"Value added services"

And, in what promises to be an increasing boon to retailers, as wholesalers save money, they are plowing more of it into marketing programs in the form of what is now popularly known as "value added services."

This means the typical drug store retailer, whether chain or independent, can increasingly turn to his or her wholesaler for help with inventory management, planograms, pricing, financial services, promotional assistance, accounting, etc.

Drug Service, for instance, has a new automatic in-store accounts-receivable program that permits a retailer to automatically transmit accounts receivables to wholesaler headquarters. Drug Service, in turn, prepares the statements for its customers.

McKesson has a number of customer-service programs including a rapidly growing service merchandise program called Cos Mck; Bergen has a space management program, plus a number of promotional programs in additional to the traditional merchandising and pricing programs that most of the major wholesalers offer; FoxMeyer has a broad range of promotional programs, etc.

"Service orientation is a trend now," said Chester Milligan, president of Amfac Distribution and Health Care. "McKesson and Bergen have done an excellent job of molding the industry toward a marketing concept that stresses service. It really started with the shift to automated order/entry systems. Out of that came velocity reports, inventory management reports, planogramming, the whole marketing/merchandising value added services concept."

"For the past 10 years, the industry has been moving toward a service distinction, not just a price distinction," said Doug Thompson, McKesson's senior vp of Distribution Planning. "A service distinction makes it possible for a wholesalee to stand out from his competition. Plus it makes it easier for the more cost-efficient companies to compete. They're able to attract customers from those companies that are not as efficient."

Co-op advertising expanding

The thrust of competition is also creating another trend that is benefiting independent retailers: the creation and expansion of voluntary or cooperative advertising programs.

McKesson has the largest and perhaps oldest voluntary group, the 1,600-member Valu-Rite based in Los Angeles, but Bergen Brunswig has a growing voluntary association called Good Neighbor. FoxMeyer has its thriving Health Mart, Durr-Fillauer has Price Guard, Drug Service has Prime Value, Owens & Minor has Cardinal Drug, Dik Drug has Centsible, etc.

Many of these groups are less than a few years old, but all seem to be growing.

"There will have to be more action with voluntaries," said Rex Molson, president of McKesson's Drug and Health Care Division. "Independents need to belong to something so that over the long run, they can get the advantages and economies of scale. That's the only way they're going to be able to compete with chains."

Bergen, whose staff for its Good Neighbor program were recruited directly from the retail side of the business, is investing about $500,000 a year in advertising revenues for the program and hopes to use Good Neighbor to create a strong identity for its approximately 500 members.

In certain pockets such as Fresno, Calif., where the program has been in place for over a year, vp of merchandising Tom Allison reports "a growing awareness on the part of the consumer to the Good Neighbor names and services."

"All voluntaries," said Ron Bone, president of McKesson's Valu-Rite, "try to provide independents with the promotional tools that will make them more successful. The idea is to provide them with a way to keep their autonomy, but at the same time take advantage of the kinds of purchasing and distributional and promotional economies a chain can enjoy."

Sales pace expected to continue into 1985

The wholesale drug industry increased sales 17% in 1983 to $11.9 billion.

According to the most recent National Wholesale Druggists' Association's Operating Survey, about 10 points of that total growth is "real," or minus inflation. The NWDA inflation index, which measures increases in product prices, rose only 7% in 1983.

If the industry simply maintains that same rate of growth for 1984, as it seems to be doing, total wholesale drug sales will come close to and possibly exceed $14 billion.

To date most of the major companies, such as McKesson, Bergen, ALCO and FoxMeyer, are already ahead of that growth, with sales increases generally averaging more than 20%.

Many of the midsize to smaller companies, however, are generating sales increases in the 12% to 20% range.

The industry suffered some criticism in 1983 for alleged "profitability slippage," but that slippage was mostly tied to a decline in the average profit margin for the industry. Those who criticized the trend failed to take into account offsetting factors such as substantial declines in average operating expenses with simultaneous increases in average volume sales.

"NWDA's numbers show that there's a decline in net profit from 1.41% in 1982 to 1.37% in 1983," said Joel Liffman, an analyst for Drexel Burham, "but I don't consider that a meaningful number.

"If you round off the number, there is really a zero change. Much more meaningful is the fact that as a general trend, gross profitability in the industry is increasing.

"Operating expenses are not growing as fast as sales. Revenues in this industry are growing quicker than expenses, which means that this industry is fairly well leveraged."

Bill Ford, president of NWDA, points out that the ratio of net sales to total assets in 1983 hit "an all-time high" while average annual inventory rates increased substantially and the average collection period in days went down dramatically.

The result was that net profits after taxes declined slightly in 1983, down from an all-time high of 15.55% in 1982 to 15.23% in 1983. Ford said the 15.23% return was a "very strong showing."

"Some people say the wholesale industry has already done so much to improve profitability by reducing expenses and improving productivity that there's very little room for any further growth, but I don't agree with that," said Gene Vykukal, president of Southwestern Drug.

Trends in customer sales mix for the wholesale drug industry (percentage of gross sales)

	1977	1978	1979	1980	1981	1982	1983
Independent drug stores	63%	62%	61%	59%	57%	56%	55%
Chain drug stores	22	21	21	22	23	22	21
Hospitals	10	11	11	12	14	16	17
Chain drug warehouses	3	4	5	4	3	3	4
Clinics, nursing homes, & others	1	2	2	2	2	2	2
Food & mass merchandise stores	1	2	2	2	2	2	2

Source: NWDA survey

"There's going to be increased profitability as individual distribution centers continue to generate higher volumes and as further technological innovations like automatic replenishment find their way into more facilities."

"We're going to be able to improve our operating efficiencies," said Doug Thompson, senior vp of distribution planning for McKesson, "because we're consolidating our warehouses and generating larger concentrations of volume out of individual facilities.

Thompson also said the company had made gains in productivity because of new software for distribution efficiencies.

"Once we have perpetual inventories and automatic replenishment," said Vykukal, "you are going to see an even more dramatic improvement in turns. Plus wholesalers will be able to invest their money where it should be invested: in products that turn."

Southwestern will be implementing a perpetual inventory/automatic replenishment system in the spring of next year, probably by April, Vykukal estimated.

John Gilbert Smith, the president of Ketchum, believes that the drug industry at both the retail and wholesale level is "very viable. Our growth and the ser-

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Key operating statistics for the wholesale drug industry*

Year	Gross profit %	Operating expense %	Operating profit %	Net profit %	Return on net worth
1980	11.15	8.53	2.62	1.32	12.72
1981	11.07	8.30	2.74	1.35	13.60
1982	10.48	7.79	2.68	1.41	15.55
1983	9.77	7.21	2.56	1.37	15.23
1984 Est.	10.4	7.1	3.3	1.6	17.0

Source: NWDA survey & Drexel Burnham Lambert estimates
*LIFO estimates

Breakout of wholesaler sales by product mix

	1983 Wholesale drug industry sales (billions)	% of net sales
Pharmaceuticals	$ 8.11	68%
Proprietary	1.78	15
Toiletry	1.09	9
Sundry	0.74	6
Other	0.18	2
Total	11.90	100

Source: NWDA survey

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Sales pace expected to continue into 1985

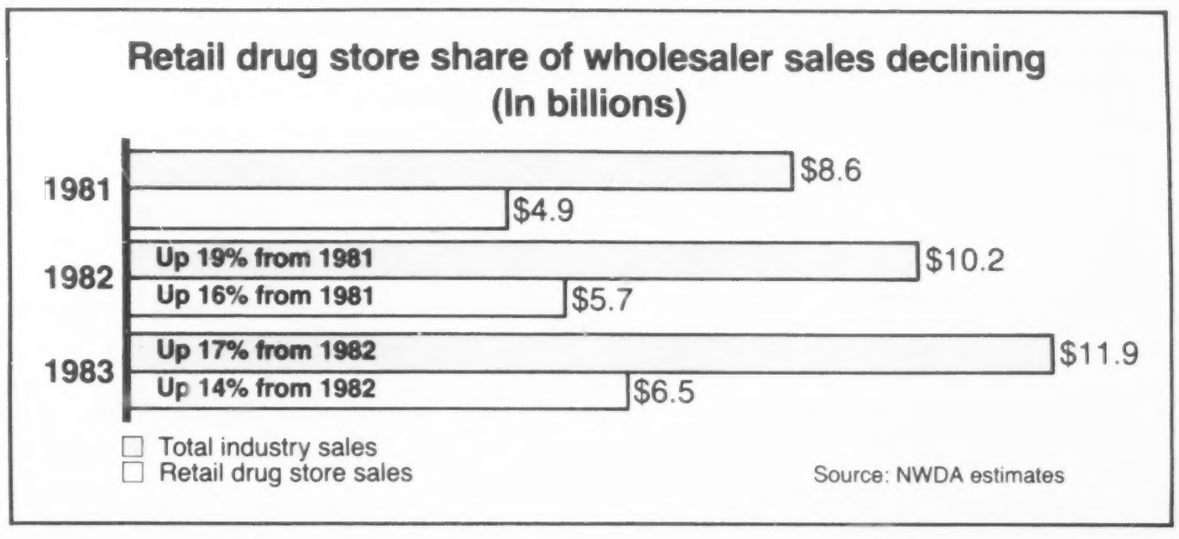
Continued from page 21

vices we render," he said, "are only limited by our imagination."

Most wholesalers are aggressively pursuing volume growth from a variety of strategies. They range from acquisitions through the consolidation of distribution facilities through the search for new customer markets: hospitals, HMO's, nursing homes, veterinarian services, department stores, food stores, etc., as well as through the addition of new lines that enable the distributor to provide individual customers with greater varieties of products: home health care items, medical surgical supplies, sports medicine, school supplies, stationery, pet care, fragrances, cosmetics, hair care accessories, etc.

Wholesalers are also continuing to capture an ever-increasing share of the United States pharmaceutical business. According to the most recent study done by the Pharmaceutical Manufacturers Association, wholesalers have increased their share of total pharmaceutical sales to 60% in 1980 from just 48.5% in 1976.

Emil Martini Jr., chairman and ceo of Bergen Brunswig, estimated that by 1985 the industry will capture "at least a 65% share and that could conceivably be much higher."



"Customers," Martini said, "seem to be accelerating the rate at which they are purchasing pharmaceuticals from distributors." He attributes this to operating efficiencies such as electronic order-entry, productivity enhancements, etc., that enable the majority of wholesalers "to reduce our operating expenses and pass the savings on to make our pricing more competitive."

Martini also noted that the near future will bring improved delivery systems and many new pharmaceutical products—such as transdermal patches—that will be relatively higher-priced. "Most of these higher-priced [and therefore more profitable] items," he says, "will be distributed through wholesalers."

Bill Williamson, chairman of Durr-Fillauer, put the point in succinct terms when he said, "The industry's volume is going up and our costs of handling merchandise are going down. Ours is the most cost-effective distribution industry in America."

Trends in the average wholesaler's product mix (% of net sales)

	1979	1980	1981	1982	1983
Pharmaceuticals	63.4%	63.6%	64.7%	65.3%	68.2%
Proprietary	17.3	17.3	17.6	15.6	14.5
Toiletry	9.7	10.7	9.3	9.5	9.1
Sundry	8.3	7.0	6.8	7.9	6.3
Other	1.3	1.4	1.6	1.7	1.5

Source: NWDA survey

Wholesalers anticipate growing hospital sales

For the past two years, hospitals have been the strongest growth areas for wholesalers, with most industry members projecting that the trend will continue strongly for the next two years.

According to *Drug Store News*' first Wholesaler Trends Study, nearly 9 out of every 10 wholesaling companies have experienced sales increases in hospital business for the past two years while 80% of all wholesalers believe this growth will continue at least for the next two years.

According to the survey, many wholesalers have increased their hospital sales between 30% and 50% in the past year alone.

More than 60% of the companies who responded to our survey were doing more than 20% of their total business with hospitals, while several of our respondents had total sales in excess of 40% and 50%.

Only 1 out of every 10 respondents believed their sales to hospitals might decrease in the coming two years, while 8 out of 10 believed their sales would go up dramatically.

Many respondents (70%) also reported dramatic increases in sales direct to chain drug stores, while a smaller number, 20%, also reported that at the same time sales to chain warehouses had also gone up considerably over the past two years.

More than 80% of our respondents felt that sales direct to chain stores will continue to increase in the future, while 4 out of 10 felt this pattern would continue with respect to chain warehouses.

The current percentage of sales direct to a chain store ranged from a low of 2% to a high of 30% for respondents selling to this marketplace. Most respondents were doing only between 1% and 10% of their business with chain warehouses, but there were exceptions: one respondent was currently doing more than 80% of its business with chain warehouses.

The prime customer for most of our wholesaler respondents was still the independent community retailer. More than 80% of our respondents reported that business with independents had increased in the past two years, while 80% also felt it would continue to increase.

In addition to hospitals, the most promising areas for future new sales growth were the following: independents, chain stores direct, chain warehouses, nursing home suppliers, nursing homes direct, food stores, mass merchandise stores, convalescent aids stores, HMO's and clinics.

Some respondents were currently generating as much as 28% of their total sales through mass merchandisers, but the average ranged from 2% to 4%. For most respondents, sales to HMO's and clinics ranged from a low of 1% to a high of 5%, while sales to nursing home suppliers, for those in this business, ranged from 3% to 5%. Sales to nursing homes direct hovered between 1% and 3%, but some respondents reported they would not pursue this line of business because it would put them in competition with retail customers.

For those respondents doing business with food stores, the per cent of total sales ranged from 1% to 3%.

Over the course of the next two years, however, nearly 45% of our respondents felt that sales to nursing home suppliers would increase while 15% believed this would also happen with food stores.

Five out of 10 of our respondents also felt sales to clinics and HMO's would go up in the next two years, while 20% believed the same would happen with mass merchandise stores.

Despite the fact that only one wholesaler was currently selling direct to physicians, 15% of our respondents felt this market would grow.

More than half the respondents in our survey supported a voluntary or a more limited form of promotional advertising program. The percentage of total wholesaler sales generated by these various memberships varied widely, ranging from a low of 0.03% of sales to a high of 15% of sales. The average, however, was around 12%.

In marketing services, just about every respondent featured a broad assortment of merchandising support programs such as planograms, point-of-purchase and point-of-sale aids, etc. Nearly everyone also had promotional programs such as price update reports and customized price labels based on the gross margins desired by retailers.

More than 80% of our respondents also provided retail customers with help with store fixtures, while 75% had store-remodeling programs, and 65% had host support for computer programs. More than 80% of our respondents provided their customers with both hardware and software for in-store pharmacy computer programs while another 65% had some form of financial assistance programs available.

Another 10% were also adding site selection assistance to their marketing programs while over 50% already had such a service. Nearly 9 out of 10 respondents also offered product-movement reports while 85% provided inventory control reports and pharmaceutical generics program. Just 40%, however, had private-label programs, while only 30% had management reports. Only 5% offered business insurance.

Some 25% of our respondents, however, were planning to add business insurance and financial/management report programs (profit and loss reports, labor scheduling reports, etc.) to their stable of marketing services, while another 15% were planning to add private-label.

Ten per cent were also planning to add site selection assistance and in-store computer host support.

Most of our wholesaler respondents were also giving their retailers help in developing a zone-pricing program. Nearly 9 out of every 10 wholesalers had such a service available for H&BA and OTC products, while 50% also offered it for pharmaceutical products.

In the area of product mix, all of our respondents were generating the bulk of their sales from pharmaceuticals. Pharmaceuticals as a percentage of sales ranged from a low of 60% for the most diversified full-line companies to a high of 90% for those houses that were primarily pharmaceutical suppliers.

All our respondents had at least some selection of H&BA and OTC products available.

Many respondents did not specify whether they included such lines as candy, gifts, personal appliances, toys, etc. in either sundries and seasonals.

Growth patterns in the average wholesaler's customer mix

	Sales rose in past two years	Expect sales rise in next two years
Hospitals	87%	80%
Independents	80	80
Chains direct	70	80
Home health care and convalescent aid stores	40	25
Mass merchandise stores	15	20
Clinics and HMO's	30	50
Nursing homes direct	25	25
Nursing home suppliers	25	45
Chain warehouses	20	40
Food stores	20	15
Physicians	5	15

Source: *Drug Store News* 1984 Wholesaler Trends Study

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Service translates into growth at McKesson

SAN FRANCISCO — McKesson Drug & Health Care, the largest division of the McKesson Corporation and the nation's No. 1 drug wholesaler, is continuing to court growth by putting its marketing emphasis on service.

The group, which was the first to coin the term "value-added services" now used by the entire drug-wholesaling industry, has just developed a new financial and business study package for its retail customers.

McKesson

The study package, which McKesson plans to make available to any interested retailer, consists of a series of seven modules built around video cassettes addressing specific problems.

"It's like a Harvard case history," says Joe Polastri, a group executive vp and general manager of the drug company. "We taped a retailer trying to cope with a specific problem. It might be cash management or inventory control or gross-margin analysis. We're showing those tapes at seminars that we've set up in various sections of the country. Our merchandising reps lead the seminars and they try to help retailers figure out the best strategies to adopt given the nature of that particular problem."

Both Polastri and Rex Malson, president of the Drug & Health Care Group and a corporation vp, feel that the era of chains madly gobbling up market share at the expense of independents is ending, but that independents still need to improve their business and financial skills if they are going to prosper.

"The weak," says Polastri, "have already been weeded out by the chains. But there are still lots of retailers out there having a tough time, and this kind of program is designed to help them."

McKesson is also continuing to expand its Cos Mck service merchandising program. For an agreed upon fee, a McKesson rep will set, stock, replenish, price label and maintain just about any department in a retail drug store. The most commonly repped departments, however, are cosmetics, costume jewelry, hosiery, pet care, stationery and fragrances.

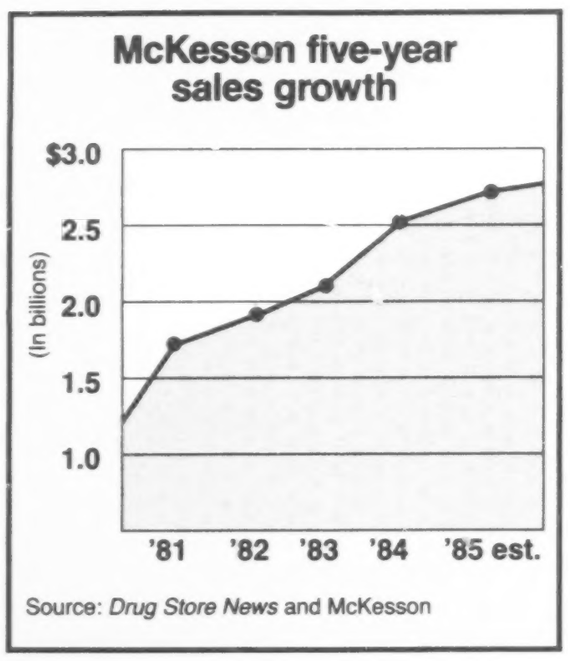
"The service levels we provide are a way to distinguish ourselves from our competition," says Doug Thompson, McKesson's senior vp of distribution planning.

"For the past 10 years, this industry has been moving toward service distinctions rather than just price distinctions. Price competition is still a logical and plausible business strategy, but it doesn't take a genius to figure out how to give away profit. As an industry, we've been in that loop for a long, long time."

Like its closest competitor, Bergen Brunswig, McKesson has been aggressively moving to automate its operations and expand into new customer areas.

The chain's newest warehouse in Sacramento has an automated sortation system as well as a picking system sequenced by "families" of traditional drug store departments. All dental care products, for instance, are in the dental care "department" of the warehouse and each incoming order from a retailer is presorted by computer so that pickers can fill all dental product orders at one time.

To get even more productivity out of its distribution centers, McKesson is also putting in mezzanines that allow pickers to work from storage space that was previously just "empty air." The cube in a McKesson warehouse is now averaging 30 ft. instead of 24 ft. "It's just more efficient to stack higher," says Polastri.



Because of its operational efficiencies, Sacramento is now McKesson's most active facility. In mid 1984, it was running at 1987 sales projections and with a capacity of a million lines a month, handling close to 750,000.

Consolidated centers

For the past eight years, McKesson has been consolidating its warehouses, closing smaller facilities and replacing them with much larger more centralized facilities like the one in Sacramento.

The move from smaller to larger, according to Polastri and Thompson, permits each facility to stock from between 1,000 to 1,500 more items, enabling McKesson, in Thompson's words, "to improve customer service."

"Even though our consolidated centers may be further from the customer service point," says Thompson, "they usually have larger inventories and that means that our retail customers now have many more unique items available to them."

The move, of course, also enables McKesson to improve its operational efficiencies because each consolidated center handles larger volumes of business.

Thompson points out that McKesson is more than 50% ahead of the industry's median average on office productivity (number of order lines processed per man-hour) and 80% ahead on warehouse productivity (number of lines picked per man-hour).

More products

The centers are also continuing to carry more and more diversified products. In addition to pharmaceuticals, H&BA and OTC products, McKesson now stocks a full line of stationery and school and office supplies, pet supplies, reading glasses, hair notions and fragrances (also available through McKesson's Fragrance Division, one of nine subdivisions now grouped into the Drug & Health Care Division).

"We are carrying more products that go into the center of the store," says Polastri. "And we're also filling in more products for the perimeters of the store. We feel the more orders we can fill, the more we can grow."

McKesson's management feels independents, chains and hospitals will be the strongest avenues for future growth, but the company is also continuing to supply product to food stores and mass merchandisers and there is a chance McKesson may form a service merchandise division to help food stores market H&BA and OTC products.

"The hospital business is growing by leaps and bounds," says Polastri. "We were up 35% in sales last year and so far, this year, we're up 32%."

Like most wholesalers, McKesson is trying to position itself as a "prime vendor" for both its retail and hospital customers. So far, the concept is working. McKesson's management estimates that the company is a prime vendor (the No. 1 source of supply for an individual account) to at least 80% of its drug store retail customers.

Wholesaler Profiles

Bergen sees boom sparked by electronics

LOS ANGELES — Bergen Brunswig, the wholesaler with the second-highest volume in the country, is projecting a growth rate of between 20% to 25% annually for the next five years.

Bergen's chairman and ceo Emil Martini estimates that the company's most dramatic growth will come from its consumer electronic division. Sales for the division for the past 10 years have already increased 10-fold.

However, in the drug distribution

Bergen Brunswig Corporation

arena, growth is expected to come from two key areas: an expanded customer base and an extended product mix.

Bergen's vice president of merchandising Tom Allison estimates that the company's nearly two-year-old voluntary, the Good Neighbor program, will have about 500 members by the end of 1984. "We're growing at a rate of about 20% a year," Allison said.

Like many wholesalers, Bergen is also aggressively going after more hospital business as well as "aggressively pursuing," in Martini's words, more sales to HMO's.

"Over the long term, we expect to have a higher share of hospital business than retail business," said Martini. "Hospitals are where retail drug stores were about 10 years ago. They are just starting to discover the economic benefits of a prime-vendor supplier."

Seven years ago, hospitals only accounted for about 6% of Bergen's total customers. Today, they account for 26%. Chains are also a source of growth for the company. In 1977, chains only accounted for about 24% of Bergen's overall business. Today, they account for about 33%.

But with more than 4,200 independent retail accounts currently being serviced, independents are still the heart of Bergen's business. Last year, they accounted for 47% of the drug company's total sales.

Bergen has been trying to nurture this side of its business by developing a wide variety of retailing and merchandising support programs, such as Bergen's space management program, to which about 60% of its retail accounts belong, and a Super Saver program that Allison believes helps independents add a "bargain atmosphere" to their stores.

Bergen's space management program is a planograming support and merchandising system, while Space Saver is more promotional.

About 80% of Bergen's retail customers belong to Super Saver. For a membership fee, participants get complete in-store monthly promotional packages, which usually feature eight to 10 spotlighted, high-velocity products that change every other week.

With the package comes color coordinated signs that, when hung within a store, create a "carnival atmosphere." Also shelf talkers, window signs, hand bills, and a black and white velox for ads are offered. Bergen supports the program with spot TV as well as radio and print ads.

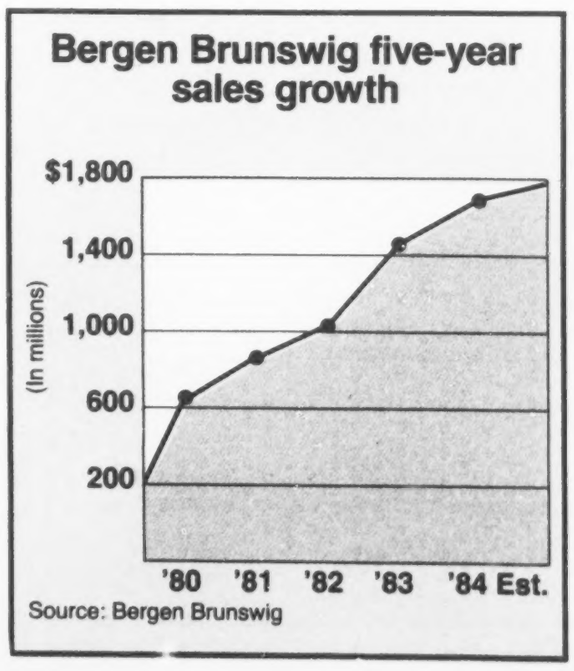
In the area of line extensions, Bergen is currently working on the development of a new home health care program while simultaneously rolling out a new line of about 1,000 stationery sku's.

"Sundries and stationery are getting a lot of attention from us," Allison said. "We'll be expanding even more next year." Through its new line of consumer products, Bergen is already distributing pantyhose, watches, batteries and baby care. It is considering adding more seasonal items such as lawn chairs and barbecue grills.

Earlier this year, Bergen began testing an automatic picking machine in its San Jose, Calif., warehouse. Martini said the $750,000 system will probably pay for itself within three and a half years.

He said similar computerized systems will probably be added to other Bergen distribution centers "wherever the volume of pharmaceutical business justifies their investments."

Of Bergen's 50 distribution facilities, 29 are currently used for drug wholesaling. The Drug Wholesale Group accounted for about 80% of the company's total sales last year.



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Wholesaler Profiles

Acquisitions push Alco Health into third place

VALLEY FORGE, Pa. — With its voracious appetite for acquisitions and its keen ability to tune into thriving trends, Alco Health Services has become the third-largest full-service pharmaceutical distributor in the country within a span of only six years.

Alco Health Services is the drug wholesaling arm of Alco Standard, a huge conglomerate that posted 1983 earnings of $57.2 million on sales of $2.8 billion. During 1983, Alco Standard shed several of its manufacturing operations in order to concentrate on its thriving distribution properties, including Health Services. In fact, Alco Health Services, which posted a 19% increase in 1983 sales for a total of $691.3 million is the company's fastest-growing segment and second largest behind its paper division.

Alco Standard's president and ceo, Ray B. Mundt, sees big things ahead for full-service pharmaceutical distributing. In fact, he said that as new drugs hit the market and manufacturers continue to sell more pharmaceuticals through wholesale channels, the market could swell to more than $14 billion by 1985. That's more than double its size four years ago. For Alco, the Health Services division is attractive because of a 25% return on capital.

Acquisitions have played a key role in Alco Health Services growth. When the company "acquires" another, it actually merges all operations (including personnel) into its corporate umbrella. According to the company, this encourages an entrepreneurial spirit within the company.

One of the most recent acquisitions was that of Brown Drug, which serves stores in Sioux Fall, S.D., Council Bluffs, Iowa and Makato, Minn. With the addition of Brown, Alco thrust itself into new markets. Its existing base includes: The Drug House Inc., Brotherston Health Care Services, Brotherston Hospital Supply, Duff Brothers Inc., The Geer Drug Company, The Kauffman-Lattimer Company, Rita-Ann Distributors, Smith-Higgins Inc., William T. Stover Company Inc., Strother Drug Company and Spetrum Corporation. The Alco Health Services serves 23 states from New York and Pennsylvania south to Georgia and west to Texas.

It is obvious that Alco Health Services' growth has not only been geographic, but into new categories, as well. Last year, for example, Alco ventured into the prestige fragrance, cosmetics and gift business with the purchase of Rita-Ann Distributors.

Additionally, Alco is entering the home health care business with its Total Home Health Care programs. Under this plan, retailers can gain access to Alco's home health care products and tap into the company's merchandising savvy.

Another important program is Alco's Family Independent Pharmacy voluntary program. The voluntary program is set up to attract small pharmacies into Alco's distribution network. It offers them advertising support, access to Alco's computers to manage inventories, planograms, traffic analysis, value-added product lines, store graphics and other managerial tools.

Purchases put FoxMeyer in new markets

DENVER — FoxMeyer began fiscal 1985 the way it closed the books on fiscal 1984—with a series of acquisitions.

In April, FoxMeyer completed the the acquisition of I. L. Lyons, the New Orleans wholesaler, which last year posted operating earnings of $1.9 million on sales of $98.3 million.

Four months later, FoxMeyer signed a letter of intent to purchase Yahr-Lange for $15.25 million in cash. The purchase of Yahr-Lange, which last year earned $2.5 million on sales of $118.6 million, opens up two more important markets to FoxMeyer. To the north, Yahr-Lange is the No. 1 wholesaler in Milwaukee and the surrounding markets. Headquartered in Elm Grove, Wis., the company also operates distribution centers in Rockford, Ill., and La Crosse, Wis. In Florida, Yahr-Lange commands the No. 2 position in many markets, with distribution centers in Miami and Lakeland, Fla. Prior to the acquisition, FoxMeyer had no facilities in Wisconsin and only a marginal presence in the Florida panhandle.

Last month, FoxMeyer struck again. This time it was the Arlington, Tex., computer services firm, PharmAssist. When the purchase is completed FoxMeyer will have doubled its base of pharmacy computer system users to nearly 2,600. PharmAssist provides computer services and products to an estimated 1,300 pharmacies in 29 states.

FoxMeyer's seemingly insatiable appetite for other wholesale operations and pharmacy computer firms has been well received on Wall Street. The wholesaler last month raised nearly $44 million in a stock offering of nearly two million shares. Proceeds from the offering were to be used to retire bank debt from previous acquisitions, the company said.

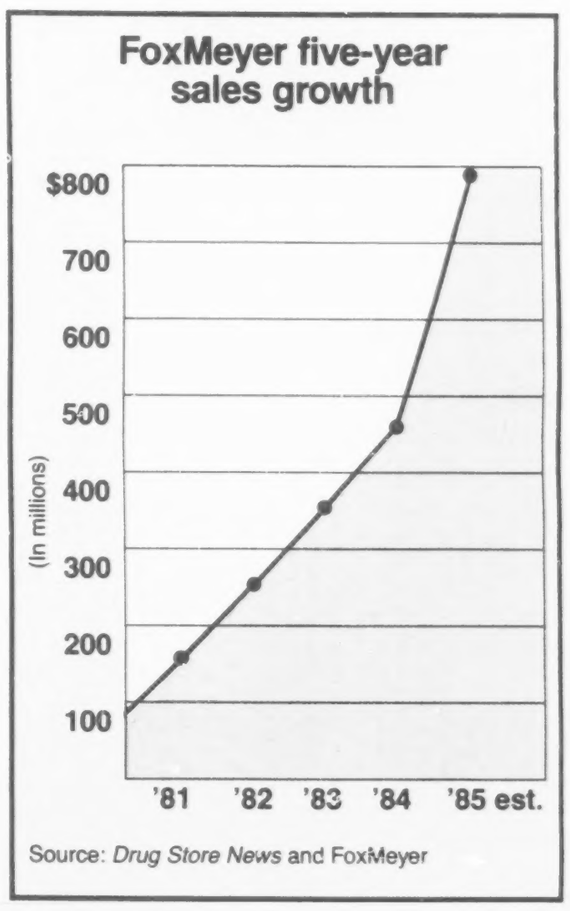
Part of the reason that FoxMeyer has had little difficulty raising capital for expansion is that the wholesaler has been able to quickly assimilate each of the acquisitions into its own operations. In addition, many analysts have been impressed with the company's outstanding financial performance.

For the fiscal year ended March 3, FoxMeyer's net income soared 126% to $5.2 million from $2.3 million earned in the previous year. Sales advanced 32% to $464 million from $351 million in fiscal 1983.

In addition, first-quarter results seem to indicate a continuation of the upward trend. Net income for the first quarter, ended June 30, jumped 102% to $1.4 million from $704,000 from the first quarter of the previous year. Sales rose 56% during the first quarter to $159.4 million from $102.3 million last year.

The pending purchase of PharmAssist ranks as one of FoxMeyer's most significant acquisitions since the company went public in 1983. It complements the wholesaler's acquisitions of TBL, the pharmacy computer product and services firm in Texas that FoxMeyer merged into its Pharm-Data computer service division almost one year ago.

FoxMeyer has exploited the pharmacy computer as a means of attracting new accounts, particularly nontraditional pharmacy retailers, better than most other wholesalers. This year for instance, FoxMeyer contracted to install more than 1,000 Pharm-Data microcomputers in K mart pharmacy stores throughout the country over the next three years. Sales to K mart, alone, represent approximately 6% of FoxMeyer's total volume. Overall, the wholesaler's business with discounters and supermarket chains such as Wal-Mart, Safeway, King Sooper and Albertson's accounts for approximately 25% of its sales.



FoxMeyer expects its business with mass merchandisers and food chains to continue to have a major impact on its bottom line.

Investments aid Bindley income spiral

INDIANAPOLIS — While other drug wholesalers made a concerted effort last year to accelerate expansion through the acquisition of smaller wholesalers, Bindley Western parked much of its internal reserves in cash and marketable securities.

The strategy has paid off handsomely for Bindley thus far. Together, earnings from the distribution of ethical pharmaceuticals and income derived from investments sent total corporate income for the first half of fiscal year 1985 skyrocketing 68% to $2.3 million from $1.4 million during the same period last year. On a per-share basis, earnings rose 16% to 72¢ from 62¢ during the first two quarters of 1983. Bindley's sales for the first half of the year were up nearly 14% to $264.9 million from $232.7 million.

Last year, Bindley raised nearly $20 million from its first stock offering. At the time, William E. Bindley, chairman and ceo of the company, indicated that the wholesaler would be looking to expand in existing markets by acquiring smaller companies. However, while acquisition opportunities presented themselves, Bindley has been very selective and instead has directed its efforts toward growing internally.

"We've looked at a number of possible acquisition targets," said Jack Laughner, president of Bindley Western Drug Co. "But we're not going to buy something just for the exercise of buying another company."

Part of the reason that Bindley has been so selective in making any acquisitions is that the wholesaler is one of a dwindling number of houses whose principal business is the distribution of ethical pharmaceuticals. Approximately 95% of Bindley's total sales are generated through the sale of pharmaceuticals.

Bindley has not ruled out purchasing a full-line wholesaler. According to Laughner, while Bindley would make some "modifications" to anything it bought, "we'd probably leave a full-line house intact."

But until Bindley makes such an acquisition, Laughner says, the company's cash position and absence of any long-term debt is a "win-win situation." At the close of fiscal 1984, Bindley had amassed nearly $25 million in cash and marketable securities. Of the $9.44 per-share in shareholders' equity, $7.53 per share represented cash and other liquid instruments. In addition, Bindley has a line of credit totaling approximately $21 million. However, Laughner said that any future acquisitions will likely be financed internally.

Bindley also has used some of its capital reserves to open a new distribution center in Dallas and relocate to a larger facility in its Phoenix operating region.

Though supermarkets and discounters represent a growing segment of Bindley's business, its principal customers remain chain drug stores. Laughner said that five chains account for about 80% of the total business Bindley does with the chain drug industry. The company's biggest customers are Eckerd Drug, Revco, Rite Aid and Hook

Bindley is able to supply West Coast chains such as Thrifty without having a distribution center closer than Phoenix because it ships full case lots directly to chain drug warehouses.

In addition to its retail customers, Bindley like other wholesalers, has seen its hospital supply business increase sharply. "No question about it," says Laughner, "this will be a big part of the wholesale business." Bindley's sales to hospitals, while accounting for only 5% to 6% of total volume, have doubled in the past year.

1984 Annual Report of the Wholesale Drug Industry

Amfac focus the same despite name change

BURLINGAME, Calif. — The name has been changed from Amfac Drug Supply to Amfac Health Care, but the primary focus remains the same: doing better at what it does best. That is, supplying pharmaceuticals and OTC to drug stores and hospitals as a secondary-source wholesaler.

Even so, the Health Care Division is keeping its options open. The tip-off is the name-change. Says Chester Milligan, president of the Health Care Division: "The name Drug Supply, which implies drugs for humans only, no longer reflects our current or future plans because of our acquisition of two veterinary supply companies last June. Also, we intend to get into other health-care related areas—probably by acquisition on a selective basis." Milligan declines to be more specific at this time.

The Health Care Division prides itself on being a lean-and-mean operation. The pay-off? "Our return on investment is among the best in the industry," says Milligan.

Currently, the Health Care Division is trying to maximize its strengths in retail/hospital services in order to fill what Amfac perceives as a widening vacuum.

The vacuum is due to full-line wholesalers reducing frequency of deliveries, and to a large extent, dictating delivery days. In addition, full-line wholesalers are setting minimum orders that impede the flexibility of retailers.

Milligan says his division is keying its growth expectations on two product areas—pharmaceuticals/OTC and veterinary supplies—and two market areas—chains and hospitals.

Pharmaceuticals and OTC. He projects a 20% increase in product lines for both. He also says the company is planning to open new branches in the Northeast and Southeast, both by acquisition and start-ups.

Veterinary. This represents a quantum leap for Amfac. Why veterinary? "It is a totally different business than our traditional pharmaceutical wholesaling role. It is a sales representative-intensive business rather than product-oriented. So expenses are high—but so are sales and gross margins."

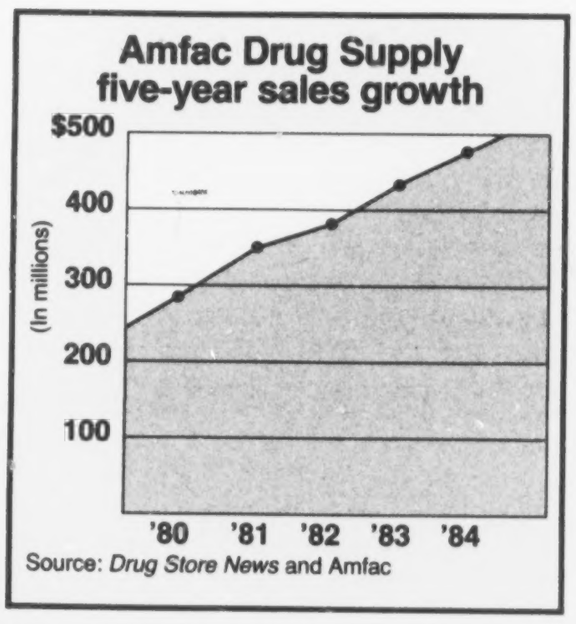
The acquisition of Holmes Serum Co., and Connrex-Mosher Veterinary Services Co., provided a distribution base in 15 states.

Veterinary pharmaceuticals represent a $2.4 billion market in the United States, and the wholesaler's share is $1 billion. The market is expected to grow 12% to 15% a year over the next five years.

Chains According to Milligan, "independents own 60% of the retail drug business. The growth is in the chains. In the last few years our sales to chains has been increasing 16% annually, and I think this trend will continue." At present, Amfac services 12,000 independents and 3.000 chain stores.

Hospitals. Growth has been about 20% a year. "Hospitals, as well as chain drug stores, need the availability of frequent deliveries not only to prevent inventory shortages but also to allow flexibility and operational efficiency derived by utilizing wholesaler inventory rather than investing their own dollars. We are uniquely qualified to provide service to these markets."

Wholesaler Profiles



Asked about venturing into the general merchandise area, Milligan said: "If we do it, it will be as a sister-business, not part of drug. Gm requires different expertise, management and handling systems. At present our branch offices are not geared for it."

Amfac operates four regional offices: Los Angeles, Seattle, Dallas and Indianapolis.

The Health care division now has 41 distribution centers and services 39 states. The centers stock 10,000 to 11,000 sku's and plan to increase that number 20%. The centers are now being upgraded for computerized support systems, beginning with electronic order entry.

Amfac's Distribution Group is one of five groups in Amfac's corporate lineup, which includes retail, hotel/resort, food and Hawaiian sugar and land. The Distribution Group accounts for approximately half of the corporation's $2.4 billion volume.

Sales climb 16% at Spectro Industries

JENKINTOWN, Pa. — Spectro Industries is celebrating its 16th year of steadily rising sales, crediting much of its success to its constantly expanding home health care and pharmaceutical lines for the growing number of elderly.

It's no wonder that Spectro, based in Jenkintown, Pa., has adopted an unequivocal corporate objective to concentrate on the burgeoning health care industry and is currently developing and distributing new products in this field.

However, Spectro, which calls itself The Healthcare Company, is not limiting its growth to this market. In the past year, it purchased Harry Toub & Sons Inc., a New Jersey-based distributor of stationery, school supplies and notions. The new division, Toub Distributors Inc., provides planogramming, promotional and regular merchandise to all of Spectro's distribution areas.

During fiscal 1984, which ended in March, Spectro recorded sales of $395.4 million, a 16% increase from the previous year's $33.9 million. Sales in 1985 are expected to increase 15%, to about $450 million.

Net income reached a record level of more than $7.2 million, a 34% increase from the $5.4 million earned the previous year. This is Spectro's third year of annual income increases of more than 27%.

Spectro is divided into a manufacturing and a distribution division, the latter accounting for 95% of the company's sales. The company distributes to more than 3,000 independent pharmacies, retail drug chains and hospitals, primarily located in the Northeast and Middle Atlantic States. Among products supplied are more than 27,000 individual pharmaceuticals, proprietary medicines, stationery, cosmetics home health care and medical equipment.

The Pharmaceutical Products Distribution Group reported a 15.8% increase in sales between fiscal 1983 and 1984, rising to almost $52 million, of which $2.3 million was attributed to the Toub Distributors acquisition.

The company predicts that sales will continue to rise with the increase of new pharmaceuticals such as antiulcer drugs and beta blockers, and general merchandise like toys and stationery offered through Toub.

While the Healthcare Products Manufacturing Group makes a smaller contribution to overall corporate sales, revenues from this division have been rapidly rising. Between fiscal 1983 and 1984, sales rose by 41.5% to $4.5 million.

This group, which manufactures durable medical equipment under the name of Sci-O-Tech, added several new items during fiscal 1984 and is currently developing a number of others.

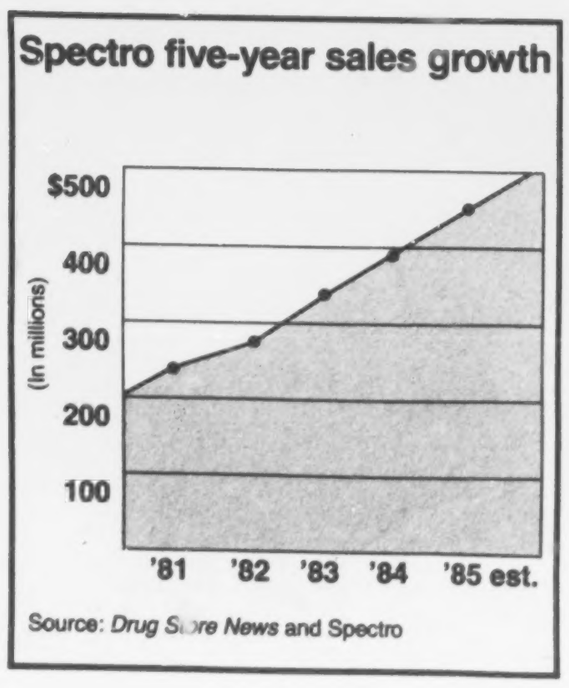
It was also during fiscal 1984, that Spectro saw the solidification of Spectro Medical, an offshoot of the distribution operation that supplies durable medical supplies, exercise equipment and related items to dealers and pharmacists on a same-day basis. Spectro Medical is staffed by professionals who provide training and advice to retailers.

Now, during fiscal 1985, Spectro is involved in the development of a proprietary in-store computer software program for pharmacies, hospitals and durable medical equipment dealers. The company hopes to develop a program to provide a complete inventory and cash control system for pharmacies.

Spectro, itself, is heavily computerized. For example, the majority of the company's customers use Spectro's order-entry system, which is capable of transmitting a 300-item order in seconds. Computers are used in the company's five distribution centers to assemble orders and prepare them for same-day or next-day delivery, while at the same time printing invoices and maintaining perpetual inventories on some 27,000 items.

In the Philadelphia center Spectro uses computerized order-picking machines capable of selecting over 6,000 items an hour.

Computers also allow Spectro to keep track of inventory levels; make use of direct electronic links with suppliers, and provide those suppliers with marketing information about product sales.



PHARMACY

Generics take bigger bite from Rx industry pie

NEW YORK — The sales of generic drugs are surging so strongly that some security analysts are predicting that they will control 30% of the overall prescription market (unit sales) by 1988.

A 30% share of scripts would be double what generics held in 1983 and triple what they did in 1978.

Special report: Generic drugs

Analysts attribute much of the anticipated growth to the generic drug law recently passed by Congress and signed into law by President Reagan.

The new generic drug law grants a number of relatively new drugs extra years of marketing exclusivity. The law's 10-year exclusivity provision applies to any "new" drug which was approved from Jan. 1, 1982 to Sept. 24, 1984, the date the bill became a law. For example, Feldene's patent was slated to expire in 1988, but now the product will enjoy some degree of marketing exclusivity until 1992.

"The generic drug law is the best thing that could happen to the generic drug industry," says Robert Uhl, a research analyst at L. F. Rothschild.

Wall Street analysts are saying that because of the law, the industry can expect to see as many as 125 new generic drugs hit the market in the next two to three years.

Some analysts are estimating that the new generics will generate approximately $1 billion in sales by 1990, making generics a $4 billion industry by the end of this decade.

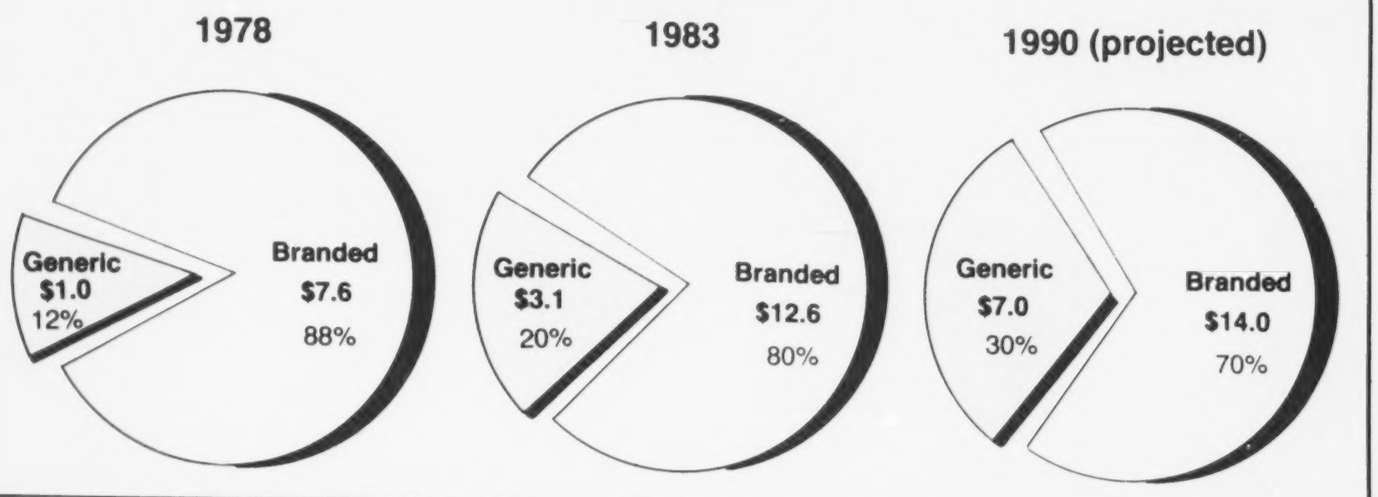
Retailers, too, are positive about the potential for growth, although a few retailers and some wholesalers say that there may be some trade-offs.

Ken Anderson, for instance, vice president and director of Professional Relations at Medicare-Glaser in St. Louis, says the newly passed law will have a staggered impact: it will produce a short-term gain for consumers, followed by some possible long-term trade-offs.

Continued on page 50

Pharmaceutical dollar sales

(in billions)



Source: A. D. Little and Company and industry estimates

THIORIDAZINE HYDROCHLORIDE TABLETS

CONTRAINDICATIONS: In common with other phenothiazines, Thioridazine HCl is contraindicated in severe central nervous system depression or comatose states from any cause. It should also be noted that hypertensive or hypotensive heart disease of extreme degree is a contraindication of phenothiazine administration.

WARNINGS: It has been suggested in regard to phenothiazines in general, that people who have demonstrated a hypersensitivity reaction (e.g., blood dyscrasias, jaundice) to one may be more prone to demonstrate a reaction to others. Attention should be paid to the fact that phenothiazines are capable of potentiating central nervous system depressants (e.g., anesthetics, opiates, alcohol, etc.) as well as atropine and phosphorus insecticides. Physicians should carefully consider benefit versus risk when treating less severe disorders.

Reproductive studies in animals and clinical experience to date have failed to show a teratogenic effect with Thioridazine HCl. However, in view of the desirability of keeping the administration of all drugs to a minimum during pregnancy, Thioridazine HCl should be given only when the benefits derived from treatment exceed the possible risks to mother and fetus.

PRECAUTIONS: Leukopenia and/or agranulocytosis and convulsive seizures have been reported but are infrequent. Thioridazine HCl has been shown to be helpful in the treatment of behavioral disorders in epileptic patients, but anticonvulsant medication should also be maintained. Pigmentary retinopathy, which has been observed primarily in patients taking larger than recommended doses, is characterized by diminution of visual acuity, brownish coloring of vision and impairment of night vision; examination of the fundus discloses deposits of pigment. The possibility of this complication may be reduced by remaining within the recommended limits of dosage. Where patients are participating in activities requiring complete mental alertness (e.g., driving) it is advisable to administer the phenothiazines cautiously and to increase the dosage gradually. Female patients appear to have a greater tendency to orthostatic hypotension than male patients. The administration of epinephrine should be avoided in the treatment of drug-induced hypotension in view of the fact that phenothiazines may induce a reversed epinephrine effect on occasion. Should a vasoconstrictor be required, the most suitable are norepinephrine and phenylephrine.

Neuroleptic drugs elevate prolactin levels; the elevation persists during chronic administration. Tissue culture experiments indicate that approximately one-third of human breast cancers are prolactin dependent in vitro, a factor of potential importance if the prescription of these drugs is contemplated in a patient with a previously detected breast cancer. Although disturbances such as galactorrhea, amenorrhea, gynecomastia and impotence have been reported, the clinical significance of elevated serum prolactin levels is unknown for most patients. An increase in mammary neoplasms has been found in rodents after chronic administration of neuroleptic drugs. Neither clinical studies nor epidemiologic studies conducted to date, however, have shown an association between chronic administration of these drugs and mammary tumorigenesis; the available evidence is considered too limited to be conclusive at this time.

It is recommended that a daily dose in excess of 300 mg. be reserved for use only in severe neuropsychiatric conditions.

ADVERSE REACTIONS: In the recommended dosage ranges with Thioridazine HCl most side effects are mild and transient.

Central Nervous System: Drowsiness may be encountered on occasion, especially where large doses are given early in treatment. Generally, this effect tends to subside with continued therapy or a reduction in dosage. Pseudoparkinsonism and other extrapyramidal symptoms may occur but are infrequent. Nocturnal confusion, hyperactivity, lethargy, psychotic reactions, restlessness and headache have been reported but are extremely rare.

Autonomic Nervous System: Dryness of mouth, blurred vision, constipation, nausea, vomiting, diarrhea, nasal stuffiness and pallor have been seen.

Endocrine System: Galactorrhea, breast engorgement, amenorrhea, inhibition of ejaculation and peripheral edema have been described.

Skin: Dermatitis and skin eruptions of the urticarial type have been observed infrequently. Photosensitivity is extremely rare.

Cardiovascular System: ECG changes have been reported (see Phenothiazine Derivatives: Cardiovascular Effects).

Other: Rare cases described as parotid swelling have been reported following administration of Thioridazine HCl.

PHENOTHIAZINE DERIVATIVES: *It should be noted that efficacy, indications and untoward effects have varied with the different phenothiazines. It has been reported that old age lowers the tolerance for phenothiazines. The most common neurological side effects in these patients are parkinsonism and akathisia. There appears to be an increased risk of agranulocytosis and leukopenia in the geriatric population. The physician should be aware that the following have occurred with one or more phenothiazines and should be considered whenever one of these drugs is used:*

Autonomic Reactions: Miosis, obstipation, anorexia, paralytic ileus.

Cutaneous Reactions: Erythema, exfoliative dermatitis, contact dermatitis.

Blood Dyscrasias: Agranulocytosis, leukopenia, eosinophilia, thrombocytopenia, anemia, aplastic anemia, pancytopenia.

Allergic Reactions: Fever, laryngeal edema, angioneurotic edema, asthma.

Hepatotoxicity: Jaundice, biliary stasis.

Cardiovascular Effects: Changes in the terminal portion of the electrocardiogram, including prolongation of the Q-T interval, lowering and inversion of the T-wave and appearance of a wave tentatively identified as a bifid T or a U wave have been observed in some patients receiving the phenothiazine tranquilizers, including Thioridazine HCl. To date, these appear to be due to altered repolarization and not related to myocardial damage. They appear to be reversible. While there is no evidence at present that these changes are in any way precursors of any significant disturbance of cardiac rhythm, it should be noted that several sudden and unexpected deaths apparently due to cardiac arrest have occurred in patients previously showing characteristic electrocardiographic changes while taking the drug. The use of periodic electrocardiograms has been proposed but would appear to be of questionable value as a predictive device. Hypotension, rarely resulting in cardiac arrest.

Extrapyramidal Symptoms: Akathisia, agitation, motor restlessness, dystonic reactions, trismus, torticollis, opisthotonus, oculogyric crises, tremor, muscular rigidity, akinesia.

Persistent Tardive Dyskinesia: As with all antipsychotic agents, tardive dyskinesia may appear in some patients on long-term therapy or may occur after drug therapy has been discontinued. This risk seems to be greater in elderly patients on high-dose therapy, especially females. The symptoms are persistent and in some patients appear to be irreversible. The syndrome is characterized by rhythmical involuntary movements of the tongue, face, mouth or jaw (e.g., protrusion of tongue, puffing of cheeks, puckering of mouth, chewing movements). Sometimes these may be accompanied by involuntary movements of extremities.

There is no known effective treatment for tardive dyskinesia; anti-parkinsonism agents usually do not alleviate the symptoms of this syndrome. It is suggested that all anti-psychotic agents be discontinued if these symptoms appear.

Should it be necessary to reinstitute treatment, or increase the dosage of the agent, or switch to a different antipsychotic agent, the syndrome may be masked. It has been reported that fine vermicular movements of the tongue may be an early sign of the syndrome and if the medication is stopped at that time, the syndrome may not develop.

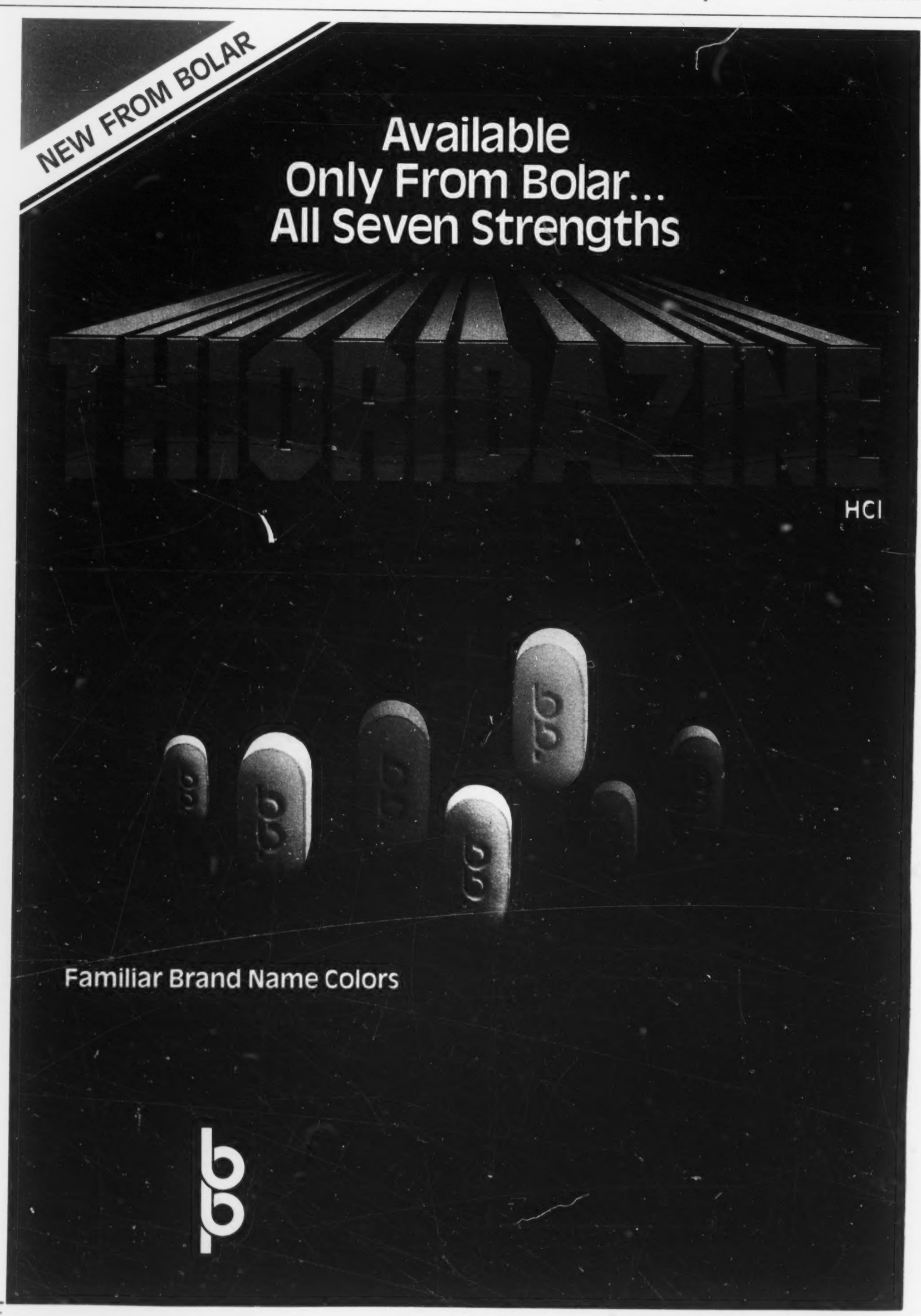
Endocrine Disturbances: Menstrual irregularities, altered libido, gynecomastia, lactation, weight gain, edema. False positive pregnancy tests have been reported.

Urinary Disturbances: Retention, incontinence.

Other: Hyperpyrexia. Behavioral effects suggestive of a paradoxical reaction have been reported. These include excitement, bizarre dreams, aggravation of psychoses and toxic confusional states. More recently, a peculiar skin-eye syndrome has been recognized as a side effect following long-term treatment with phenothiazines. This reaction is marked by progressive pigmentation of areas of the skin or conjunctiva and/or accompanied by discoloration of the exposed sclera and cornea. Opacities of the anterior lens and cornea described as irregular or stellate in shape have also been reported. Systemic lupus erythematosus-like syndrome.

DOSAGE: Dosage must be individualized according to the degree of mental and emotional disturbance. In all cases, the smallest effective dosage should be determined for each patient.

Bolar Pharmaceutical Co., Inc.
Copiague, New York 11726



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PHARMACY

Dramatic sales growth seen for generic-drug industry

Continued from page 49

"Short term, consumers will receive some real cost savings because additional product availability will force more price competition. In this scenario the law will be a real boom to consumers," he said.

Special report: Generic drugs

But because new products emerging from the research and development pipeline will have an extra five years of patent life, Anderson reasons that consumers will have to wait those additional five years before they can enjoy the price benefits of a generic substitute.

Al Mebane, executive director of the North Carolina Pharmaceutical Association, says that the future reported savings of generics may not be as great as most consumers expect.

"Savings that trace to generic drugs will be balanced against the longer patent life given the innovator of a new drug," he said, "thereby preventing consumers from gaining fast access to generic copies."

But Mebane also acknowledges that the new patented drugs may also carry some residual benefits to consumers in the form of lower introductory prices. This could happen, he reasons, because innovators will have a longer time span in which to recoup developmental costs and enjoy a profit.

Medicare-Glaser's Ken Anderson also sees another advantage to the generic/patent extension bill. He believes the bill will cause manufacturers to work even more closely with retailers, thus creating a "real opportunity to serve the patients and to serve them well."

In the immediate aftermath of the bill becoming law, some sources think the initial savings to consumers will be considerable. William Haddad, president of the Generic Pharmaceutical Association, estimates that prices of major drugs facing competition for the first time will probably be "cut in half immediately, while prices might decrease an additional 20% to 25% as three or four generics hit the market."

Haddad points out that when Librium came off patent, prices dropped from $15 for a bottle of 100 capsules to $1.

Even without the bill, the sales of generics have been steadily increasing. Ottis Calloway, pharmaceutical buyer for Durr-Fillauer Medical, a wholesaler based in Montgomery, Ala., says the firm's generic business has doubled within the past year.

Ken Baily, merchandise manager at Key Wholesaler based in Pittsburgh, says hospitals as well as retailers today are buying many more generic products.

Patent expirations in 1984

Brand name	Manufacturer	Generic name
Ativan	American Home Products	*loraxepam*
Dalmane	Roche	*fluazepam HCl*
Depakene	Abbott	*valproic acid*
Dymelor	Lilly	*acetohexamide*
Inderal	American Home Products	*propranolol HCl*
Navane	Pfizer	*thiothixene*
Restoril	Sandoz	*temazepam*
Serax	American Home Products	*oxazepam*
Diabenese	Pfizer	*chlorpropamide*
Bactrim	Roche	*trimethoprim*
Tinactin	Schering-Plough	*tolnaftate*

Source: U.S. Patent Office

Patent expirations in 1985

Brand name	Manufacturer	Generic name
Aldomet	MSD	*methyldopa*
Desyrel	Mead Johnson	*trazodone HCl*
Motrin	Upjohn	*ibuprofen*
Tranxene	Abbott	*potassium clorzaepate*
Triavil	MSD	*amitriptyline/ perphenazine*
Valium	Roche	*diazepam*

Source: U.S. Patent Office

Patent expirations in 1986

Brand name	Manufacturer	Generic name
Flexeril	MSD	*cyclobenzaprine*
Haldol	Johnson & Johnson	*haloperidol*
Sinequan	Pfizer	*doxepin HCl*
Velosef	Squibb	*cephradine*

Source: U.S. Patent Office

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†All ads should feature both liquid and tablet
‡Provided advertising coverage is in at least 75% of the applicant's trading a

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PHARMACY

Pennsylvania warns Rxers on PACE discounts

HARRISBURG, Pa. — The Pennsylvania Department of Aging (DOA) is cracking down on pharmacists who try to build traffic by offering senior citizens discounts, coupons or rebates on copays for prescription products that are already heavily subsidized by the state's new Pharmaceutical Contract to the Elderly (PACE) program.

Fearful that further discounting by retail pharmacists may result in either abuse or overuse of prescription products by the elderly—as well as drive up program costs and possibly the copay—the DOA is threatening to audit and possibly suspend from the PACE program pharmacists who discount the $4 copay to PACE members.

"The offering of discounts, coupons or gifts by pharmacies to entice PACE customers to shop in their stores is strictly prohibited by the PACE agreement," said Carmen A. DiCello, executive director of the Pennsylvania Pharmaceutical Association.

Currently, PACE customers are required to pay a $4 copay for each prescription purchased and it is mandatory for the pharmacist to collect it. DiCello is concerned that any discounts offered to offset the copay would lead to abuse and overutilization of the program.

"If the copay were discounted by the participating pharmacy, I fear many PACE customers would refill prescriptions even if they weren't needed," explains DiCello. "That would drive the cost of the program up and would probably lead to a higher copay."

DiCello says that the PACE program, initiated in July, has been well received by consumer and pharmacist alike. He says it took months of negotiations before PPA and its members were satisfied with the program.

"We've only had reports of about 12 or 13 pharmacies that have offered discounts on the copay," says DiCello. "The DOA and the PPA are not going to let a few rotten apples spoil the program's effectiveness." The DOA hopes early intervention will discourage other pharmacists from violating the program's regulations.

Funds for PACE are provided from the state's lottery. The original proposal was to allot $100 million in lottery funds for three years to support the program. After three years, the costs must be reviewed. The $100 million represents approximately half of the lottery's income.

Even though the program is less than six months old, PACE has become a football in a political playing field.

The program, as it stands today, includes all persons 65 years or older who are making a single income of $9,000 or less or a couple bringing in $12,000 or less. Eligible seniors are signing up for the program at a rate of 7,000-8,000 a month. Thus far, 300,000 persons have signed up for PACE but it is estimated by state officials that there are approximately 700,000 seniors eligible for the program.

But according to DiCello, that number is expected to skyrocket next year when the income limitation is increased to $12,000 for a single person and $15,000 for a couple.

While the announcement of the raise in income limitations came this year, Secretary of Aging, Gorham L. Black Jr. said that applications based on the new ceilings will not be accepted until after Jan. 1, 1985, and will not go into effect until April 1, 1985.

DiCello feels that the raise in the income ceilings will put a strain on the state's budget. He estimates that the additional recipients will cost the state another $120 million dollars and would bring the total eligible seniors to over two million.

Despite the forecast of doom by DiCello the feedback from participating pharmacists has been excellent.

"They think it is a pretty decent program," said DiCello. Some of the items the PPA fought for were: a maximum of 21 days waiting period for payment of claims. After the 21 days, pharmacists are paid with all interest. Also, claims are based on the average wholesale price with no maximum allowable cost clause, as in some other states' regulations. All claims are based on normal product size used for a particular drug.

DiCello is delighted with the outcome of the program because it demonstrated the association's strong political position.

"We went in and fought for our pharmacist," said DiCello. "We're all happy with the compromises that were made."

The current dispensing fee paid to pharmacists in addition to the average wholesale price of the prescription is $2.50, but according to DiCello, a fee of $3 is promised by January.

Correction

In *Drug Store News'* special report on pharmacy computers and POS systems that appeared in the Sept. 17 issue, ComCoTec was misspelled in the "Guide to Hardware Suppliers" and inadvertently left out of the "Guide to Software Versatility."

ComCoTec, headquartered in Westmont, Ill., offers a complete pharmacy software package that runs on Digital Equipment Corp. (DEC) hardware. Included in the basic entry-level price of $19,500 is a hardware/software package that will provide the user with the following functions: label/receipt, patient profile, drug interactions, including drug-to-allergy and drug-to-illness, third-party processing, accounts receivable, perpetual inventory and DEA reports.

The following software enhancements are available at an extra cost: nursing home forms, $1,500; payroll, $1,000; price updates, $30/mo.; durable medical equipment, $1,500; general ledger, $1,500, and accounts payable, $1,500. The total maintenance charge on the software is $50/mo. and includes any enhancements to the system that may be added in the future.

ComCoTec calls its pharmacy computer system RxExpress and it features communication by modem as well as multitasking capabilities.

The RxExpress system will also interface with DTS and Sweda cash registers, making it a complete POS interactive system.

The company plans to offer, in the very near future, an automatic-ordering feature through its POS function.

For more information, write to *ComCoTec Inc., 825 N. Cass Ave., Westmont, Ill. 60559.*

If You Can't Detect 8 Ways To Make This Drug Store More Profitable... Call Us!

Clue #5 Curious customer, but even more curious floor plan.
Clue #3 Did the manager maximize his Rx profits?
Clue #6 The druggist didn't do it, but better third party claims processing might have.
Clue #8 Is there a computer solution in the house?
Clue #7 This clue is old...at least two weeks old.
Clue #4 Who should be putting products on the pegs?
Clue #2 Is the evidence properly merchandised and labeled?
Clue #1 The stock clerk is innocent, but look at the order he's working with.

Answers to Clues:
#1 Economost* – the comprehensive electronic inventory management system, providing easy put-away
#2 Econoplan* – to make sure your shelves promote maximum sales
#3 Econoprice* – for a complete prescription pricing program
#4 COSMcK* – a full service merchandising system
#5 Pharmacy Design – to make sure your stores layout sells products
#6 Econoclaim* – to speed third-party claims processing
#7 OTC Price Update – to keep prices current
#8 Pharmaserve* – for complete computer business solutions

*Registered trademarks of McKesson Drug Company

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PHARMACY

Chains staking claim in home-health market

The list of independent and chain retailers investing in home health care continues to expand dramatically.

To date, at least 18 major chains accounting for approximately 26% of the nation's top 50 chains have begun to chip away at the $3 billion home health care market.

Those include Hook Drug, the nation's 17th largest drug chain, which has 14 freestanding home health care stores; Harco Drug, the 47-unit Northport, Ala.-based chain with nine freestanding stores, and Peoples Drug Stores, the nation's 11th-highest-volume drug chain, which has three freestanding locations.

Other chains with freestanding home health care stores include: Medicare-Glaser, one store; Genovese, one store; Walgreens, three stores; Thrift, one store, and Big B, two.

In addition to those chains with freestanding units, some have in-store departments devoted to home health care—including Revco and Kinney Drug.

Predicasts, a Cleveland-based business information and market research firm, forecasts that the home health care market will reach $5.2 billion in sales by 1988 and top $10 billion by 1995.

Projected growth of the over 65 market

	Population (millions)	65 and over population	% of population 65 & older	Home health expenditures per capita (over 65)
1983	233.9	27.4	11.7	$230
1988	246.0	30.7	12.5	398
1995	260.5	34.0	13.1	731

Source: Predicasts Inc., Cleveland, Ohio

Because of the expected growth, many chains view the home health care business as a means of capturing some of the business they are losing when customers shop for "out-front" merchandise in supermarkets and discount stores.

"I think there is a real opportunity for the chains to make some money in home health care," said Russell Paylor, director of pharmaceutical and home health care products for Peoples Drug. "But we are also aware that it costs more to operate a home health care store."

Most chains are accustomed to operating a payroll between 5% to 10%. But Paylor says Peoples, in its home health care stores, is looking at a payroll that can run as high as 25%-30%.

"This is a service-oriented business," said Paylor. "Somebody has to be on the road all the time to detail the health professionals. That all costs money."

Because opening inventories of a home health care center can run as high as $400,000, many chains are reluctant to open a freestanding unit without first

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Leading drug chains operating home health care centers

Chain	Headquarters	No. of centers
Hook Drugs Inc.	**Indianapolis**	**14**
Harco Drug Inc.	**Northport, Ala.**	**8**
Begley Drug Co.	**Richmond, Ky.**	**5**
Peoples Drug Stores	**Alexandria, Va.**	**3**
The Walgreen Co.	**Deerfield, Ill.**	**3**
Jack Eckerd Corp.	**Largo, Fla.**	**3**
Big B Inc.	**Birmingham, Ala.**	**2**
Medicare-Glaser	**St. Louis, Mo.**	**1**
Genovese Drug Stores	**Melville, N.Y.**	**1**
Thrift Drug Co.	**Pittsburgh, Pa.**	**1**
Happy Harry's	**Newark, Del.**	**1**
SupeRx Drugs	**Cincinnati**	**1**
Tiffany Davis	**Eugene, Ore.**	**1**

Source: *Drug Store News* survey

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BRIEF SUMMARIES

DIPYRIDAMOLE TABLETS

INDICATIONS: Based on a review of this drug by the National Academy of Sciences-National Research Council and/or other information, FDA has classified the indication as follows: Possibly effective for long term therapy of chronic angina pectoris. Prolonged therapy may reduce the frequency or eliminate anginal episodes, improve exercise tolerance, and reduce nitroglycerin requirements. The drug is not intended to abort the acute anginal attack. Final classification of the less-than-effective indications requires further investigation.

CONTRAINDICATIONS: No specific contraindications are known. **PRECAUTIONS**: Since excessive doses can produce peripheral vasodilation, the drug should be used cautiously in patients with hypotension. **ADVERSE REACTIONS**: Adverse reactions are minimal and transient to recommended dosages. Instances of headache, dizziness, nausea, flushing, weakness or syncope, mild gastrointestinal distress and skin rash have been noted during therapy. Rare cases of what appeared to be an aggravation of angina pectoris have been reported, usually at the initiation of therapy. On those uncommon occasions when adverse reactions have been persistent or intolerable to the patient, withdrawal of the medication has been followed promptly by cessation of the undesirable symptoms.

FUROSEMIDE TABLETS

WARNING: Furosemide is a potent diuretic which, if given in excessive amounts, can lead to a profound diuresis with water and electrolyte depletion. Therefore, careful medical supervision is required, and dose and dose schedule have to be adjusted to the individual patient's needs. (See under "DOSAGE AND ADMINISTRATION.")

INDICATIONS: Edema—Furosemide is indicated for the treatment of edema associated with congestive heart failure, cirrhosis of the liver, and renal disease, including the nephrotic syndrome. Furosemide is particularly useful when an agent with greater diuretic potential than that of those commonly employed is desired. Furosemide is indicated as adjunctive therapy in acute pulmonary edema. Hypertension—Furosemide may be used for the treatment of hypertension alone or in combination with other antihypertensive agents. Hypertensive patients who cannot be adequately controlled with thiazides will probably also not be adequately controlled with furosemide alone. **CONTRAINDICATIONS**: Furosemide is contraindicated in anuria. It is contraindicated in patients with a history of hypersensitivity to this compound. **WARNINGS**: Excessive diuresis may result in dehydration and reduction in blood volume with circulatory collapse and with the possibility of vascular thrombosis and embolism, particularly in elderly patients. Excessive loss of potassium in patients receiving digitalis glycosides may precipitate digitalis toxicity. Care should also be exercised in patients receiving potassium-depleting steroids. Frequent serum electrolyte, CO_2, and BUN determinations should be performed during the first few months of therapy and periodically thereafter, and abnormalities corrected or the drug temporarily withdrawn. In patients with hepatic cirrhosis and ascites, initiation of therapy with furosemide is best carried out in the hospital. In hepatic coma and in states of electrolyte depletion, therapy should not be instituted until the basic condition is improved. Sudden alterations of fluid and electrolyte balance in patients with cirrhosis may precipitate hepatic coma; therefore, strict observation is necessary during the period of diuresis. Supplemental potassium chloride and, if required, an aldosterone antagonist are helpful in preventing hypokalemia and metabolic alkalosis. If increasing azotemia and oliguria occur during treatment of severe progressive renal disease, the drug should be discontinued. As with many other drugs, patients should be observed regularly for the possible occurrence of blood dyscrasias, liver damage, or other idiosyncratic reactions. Patients with known sulfonamide sensitivity may show allergic reactions to furosemide. Furosemide may add to or potentiate the therapeutic effect of other antihypertensive drugs. Potentiation occurs with ganglionic or peripheral adrenergic blocking drugs. The possibility exists of exacerbation or activation of systemic lupus erythematosus. Furosemide appears in breast milk. If use of the drug is deemed essential, the patient should stop nursing. **PRECAUTIONS**: As with any effective diuretic, electrolyte depletion may occur during therapy with furosemide, especially in patients receiving higher doses and a restricted salt intake. Periodic determination of serum electrolytes to detect possible imbalance should be performed at appropriate intervals. All patients receiving furosemide therapy should be observed for signs of fluid or electrolyte imbalance; namely hyponatremia, hypochloremic alkalosis, and hypokalemia. Serum and urine electrolyte determinations are particularly important when the patient is vomiting excessively or receiving parenteral fluids. Medications such as digitalis may also influence serum electrolytes. Warning signs, irrespective of cause, are dryness of mouth, thirst, weakness, lethargy, drowsiness, restlessness, muscle pains or cramps, muscular fatigue, hypotension, oliguria, tachycardia, arrhythmia, and gastrointestinal disturbances such as nausea and vomiting. Hypokalemia may develop with furosemide as with any other potent diuretic, especially with brisk diuresis, when cirrhosis is present, or during concomitant use of corticosteroids or ACTH. Interference with adequate oral electrolyte intake will also contribute to hypokalemia. Digitalis therapy may exaggerate metabolic effects of hypokalemia, especially with reference to myocardial activity. Asymptomatic hyperuricemia can occur and gout may rarely be precipitated. Periodic checks on urine and blood glucose should be made in diabetics and even those suspected of latent diabetes when receiving furosemide. Increases in blood glucose and alterations in glucose tolerance tests with abnormalities of the fasting and 2-hour postprandial sugar have been observed and rare cases of precipitation of diabetes mellitus have been reported. Furosemide may lower serum calcium levels and rare cases of tetany have been reported. Accordingly, periodic serum calcium levels should be obtained. Reversible elevations of BUN may be seen. These have been observed in association with dehydration, which should be avoided, particularly in patients with renal insufficiency. Patients receiving high doses of salicylates, as in rheumatic disease, in conjunction with furosemide may experience salicylate toxicity at lower doses because of competitive renal excretory sites. Furosemide has a tendency to antagonize the skeletal muscle relaxing effect of tubocurarine and may potentiate the action of succinylcholine. Lithium generally should not be given with diuretics because they reduce its renal clearance and add a high risk of lithium toxicity. It has been reported in the literature that diuretics such as furosemide may enhance the nephrotoxicity of cephaloridine. Therefore, furosemide and cephaloridine should not be administered simultaneously. Furosemide may decrease arterial responsiveness to norepinephrine. This diminution is not sufficient to preclude effectiveness of the pressor agent for therapeutic use. It has been reported in the literature that coadministration of indomethacin may reduce the natriuretic and antihypertensive effects of furosemide in some patients. This effect has been attributed to inhibition of prostaglandin synthesis by indomethacin. Indomethacin may also affect plasma renin levels and aldosterone excretion; this should be borne in mind when a renin profile is evaluated in hypertensive patients. Patients receiving both indomethacin and furosemide should is achieved. **Pregnancy**: Pregnancy Category C. Furosemide has been shown to cause unexplained maternal deaths and abortions in rabbits at 2, 4 and 8 times the human dose. There are no adequate and well-controlled studies in pregnant women. Furosemide should be used during pregnancy only if the potential benefit justifies the potential risk to the fetus. The effects of furosemide on embryonic and fetal development and on pregnant dams were studied in mice, rats and rabbits. Furosemide caused unexplained maternal deaths and abortions in the rabbit when 50 mg/kg (4 times the maximal recommended human dose of 600 mg/day) was administered between days 12 and 17 of gestation. In a previous study the lowest dose of only 25 mg/kg (2 times the maximal recommended human dose of 600 mg/day) caused maternal deaths and abortions. In a third study, none of the pregnant rabbits survived a dose of 100 mg/kg. Data from the above studies indicate fetal lethality that can precede materanl deaths. The results of the mouse study and one of the three rabbit studies also showed an increased incidence of hydronephrosis (distention of the renal pelvis and, in some cases, of the ureters) in fetuses derived from treated dams as compared to the incidence in fetuses from the control group.

ADVERSE REACTIONS

Gastrointestinal System Reactions

1. anorexia, 2. oral and gastric irritation, 3. nausea, 4. vomiting, 5. cramping, 6. diarrhea, 7. constipation, 8. jaundice (intrahepatic cholestatic jaundice), 9. pancreatitis.

Central Nervous System Reactions

1. dizziness, 2. vertigo, 3. paresthesias, 4. headache, 5. xanthopsia, 6. blurred vision, 7. tinnitus and hearing loss.

Hematologic Reactions

1. anemia, 2. leukopenia, 3. agranulocytosis (rare), 4. thrombocytopenia, 5. aplastic anemia (rare).

Dermatologic—Hypersensitivity Reactions

1. purpura, 2. photosensitivity, 3. rash, 4. urticaria, 5. necrotizing angiitis (vasculitis, cutaneous vasculitis), 6. exfoliative dermatitis, 7. erythema multiforme, 8. pruritus.

Cardiovascular Reaction

Orthostatic hypotension may occur and be aggravated by alcohol, barbiturates, or narcotics.

Other

1. hyperglycemia, 2. glycosuria, 3. hyperuricemia, 4. muscle spasm, 5. weakness, 6. restlessness, 7. urinary bladder spasm, 8. thrombophlebitis.

Whenever adverse reactions are moderate or severe, furosemide dosage should be reduced or therapy withdrawn.

METRONIDAZOLE

WARNING

Metronidazole has been shown to be carcinogenic in mice and rats. (See WARNINGS.) Unnecessary use of this drug should be avoided. Its use should be reserved for the conditions described in the **INDICATIONS** section below.

INDICATIONS AND USAGE: **Symptomatic Trichomoniasis** Metronidazole is indicated for the treatment of symptomatic trichomoniasis in females and males when the presence of trichomonad has been confirmed by appropriate laboratory procedures (wet smears and/or cultures). **Asymptomatic Trichomoniasis**: Metronidazole is indicated in the treatment of asymptomatic females when the organism is associated with endocervicitis, cervicitis, or cervical erosion. Since there is evidence that presence of the trichomonad can interfere with accurate assessment of abnormal cytological smears, additional smears should be performed after eradication of the parasite. **Treatment of Asymptomatic Consorts**: **T. vaginalis** infection is a venereal disease. Therefore, asymptomatic sexual partners of treated patients should be treated simultaneously if the organism has been found to be present in order to prevent reinfection of the partner. The decision as to whether to treat an asymptomatic male partner with a negative culture or one in whom no culture has been attempted is an individual one. In making this decision, it should be noted that there is evidence that there can be considerable difficulty in isolating the organism from the asymptomatic male carrier; negative smears and cultures cannot be relied upon in this regard. In any event, the consort should be treated with Metronidazole in cases of reinfection. **Amebiasis**: Metronidazole is indicated in the treatment of acute intestinal amebiasis (amebic dysentery) and amebic liver abscess. In amebic liver abscess, Metronidazole therapy does not obviate the need for aspiration or drainage of pus. **Anaerobic Bacterial Infections**: Treatment with Metronidazole is indicated in serious anaerobic infections caused by susceptible anaerobic bacteria. Metronidazole is rapid in its bactericidal action against susceptible anaerobes, is broad in spectrum against common anaerobic bacteria and shows penetration into closed-space infections and essentially all body tissues, fluids and cavities. (3, 11) Metronidazole therapy should be performed in conjunction with appropriate surgical procedures or concomitant treatment of predisposing conditions which favor anaerobiasis. (5, 6, 10) Anaerobic infections are most often polymicrobic, with combinations of aerobic, facultative, and anaerobic species (10). Antibiotics appropriate for the treatment of the anaerobic or facultative species isolated should be used in conjunction with Metronidazole therapy. The table below lists anaerobic infections clinically proven to respond to Metronidazole therapy. 4, 9, 12, 13, 14) INTRA-ABDOMINAL INFECTIONS, including peritonitis, intra-abdominal abscess, and liver abscess, caused by **Bacteroides** species including the ***B. fragilis*** group (***B. fragilis, B. distasonis, B. ovatus, B. thetaiotaomicron, B. vulgatus***); ***Clostridium*** species; ***Eubacterium*** species; ***Peptococcus*** species; and ***Peptostreptococcus*** species. SKIN AND SKIN STRUCTURE INFECTIONS caused by ***Bacteroides*** species including the ***B. fragilis*** group; ***Clostridium*** species; ***Peptococcus*** species; ***Peptostreptococcus*** species; and ***Fusobacterium*** species. GYNECOLOGIC INFECTIONS, including endometritis, endomyometritis, tubo-ovarian abscess, and post-surgical vaginal cuff infection, caused by ***Bacteroides*** species including the ***B. fragilis*** group; ***Clostridium*** species; ***Peptococcus*** species; and ***Peptostreptococcus*** species. BACTERIAL SEPTICEMIA caused by ***Bacteroides*** species including the ***B. fragilis*** group; and ***Clostridium*** species. BONE AND JOINT INFECTIONS, as adjunctive therapy, caused by ***Bacteroides*** species including the ***B. fragilis*** group. CENTRAL NERVOUS SYSTEM (CNS) INFECTIONS, including meningitis and brain abscess, caused by ***Bacteroides*** species including the ***B. fragilis*** group. LOWER RESPIRATORY TRACT INFECTIONS, including pneumonia, empyema, and lung abscess, caused by ***Bacteroides*** species including the ***B. fragilis*** group. ENDOCARDITIS caused by ***Bacteroides*** species including the ***B. fragilis*** group. **CONTRAINDICATIONS**: Metronidazole is contraindicated during the first trimester of pregnancy. (**SEE WARNINGS.**) Metronidazole is also contraindicated in patients with a prior history of hypersensitivity to Metronidazole. **WARNINGS**: **Convulsive Seizures and Peripheral Neuropathy** Convulsive seizures and peripheral neuropathy, the latter characterized mainly by numbness or paresthesia of an extremity, have been reported in patients treated with Metronidazole. The appearance of abnormal neurologic signs demands the prompt discontinuation of Metronidazole therapy. Metronidazole should be administered with caution if at all, to patients with central nervous system diseases. This decision should be based on a benefit/risk assessment of the condition to be treated. Metronidazole has shown evidence of carcinogenic activity in a number of studies involving chronic, oral administration in mice and rats. Prominent among the effects in the mouse was the promotion of pulmonary tumorigenesis. This has been observed in all six reported studies in the species, including one study in which the animals were dosed on an intermittent schedule (administration during every fourth week only). At very high dose levels (approx. 500 mg/kg/day) there was a statistically significant increase in the incidence of malignant liver tumors in males. Also, the published results of one of the mouse studies indicate an increase in the incidence of malignant lymphomas as well as pulmonary neoplasms associated with lifetime feeding of the drug. All these effects are statistically significant. Several long-term oral-dosing studies in the rats have been completed. There was a statistically significant increase in the incidence of various neoplasms, particularly in mammary and hepatic tumors, among female rats administered Metronidazole over those noted in the concurrent female control groups. Two lifetime tumorigenicity studies in hamsters have been performed and reported to be negative. **Mutagenicity Studies**: Although Metronidazole has shown mutagenic activity in a number of **in vitro** assay systems, studies in mammals (**in vivo**) have failed to demonstrate a potential for genetic damage. **PRECAUTIONS**: General: Patients with severe hepatic disease metabolize Metronidazole slowly, with resultant accumulation of Metronidazole and its metabolites in the plasma. Accordingly, for such patients, doses below those usually recommended should be administered cautiously. Known or previously unrecognized candidiasis may present more prominent symtoms during therapy with Metronidazole and requires treatment with a candicidal agent. **Laboratory Tests**: Metronidazole is a nitroimidazole and should be used with care in patients with evidence of, or history of blood dycrasia. A mild leukopenia has been observed during its administration; however, no persistent hematologic abnormalities attributable to Metronidazole have been observed in clinical studies. Total and differential leukocyte counts are recommended before and after therapy for trichomoniasis and amebiasis, especially if a second course of therapy is necessary. **Drug Interactions**: Metronidazole has been reported to potentiate the anticoagulant effect of coumadin and warfarin resulting in a prolongation of prothrombin time. This possible drug interaction should be considered when Metronidazole is prescribed for patients on this type of anticoagulant therapy. Alcohol beverages should not be consumed during Metronidazole therapy because abdominal cramps, nausea, vomiting, headache, and flushing may occur. **Drug Laboratory Test Interactions**: Metronidazole may interfere with certain chemical analyses for serum glutamic oxalacetic transaminase, resulting in decreased values. Values of zero may be observed. **Carcinogenesis**: (**SEE WARNINGS.**) **Pregnancy**: **Teratogenic Effects—Pregnancy Category B**: Metronidazole crosses the placental barrier and enters the fetal circulation rapidly. Reproduction studies have been performed in rabbits and rats at doses up to five times the human dose and have revealed no evidence of impaired fertility or harm to the fetus due to Metronidazole. There are, however, no adequate and well-controlled studies in pregnant women. Because animal reproduction studies are not always predictive of human response, and because Metronidazole is a carcinogen in rodents, this drug should be used during pregnancy only if clearly needed (SEE CONTRAINDICATIONS). Use of Metronidazole for trichomoniasis in the second and third trimesters should be restricted to those in whom local palliative treatment has been inadequate to control symptoms. **Nursing Mothers**: Because of the potential for tumorigenicity shown for Metronidazole in mouse and rat studies, a decision should be made whether to discontinue nursing or to discontinue the drug, taking into account the importance of the drug to the mother. Metronidazole is secreted in breast milk in concentrations similar to those found in plasma. **Pediatric use**: Safety and effectiveness in children have not been established, except for the treatment of amebiasis. **ADVERSE REACTIONS**: The two most serious adverse reactions reported in patients treated with metronidazole have been convulsive seizures and peripheral neuropathy, the latter characterized mainly by numbness or paresthesia of an extremity. Since persistent peripheral neuropathy has been reported in some patients receiving prolonged administration of metronidazole, patients should be specifically warned about these reactions and should be told to stop the drug and report immediately to their physicians if any neurologic symptoms occur. The most common advese reactions reported have been referable to the gastrointestinal tract, particularly nausea, sometimes accompanied by headache, anorexia, and occasionally vomiting, diarrhea, epigastric distress, and abdominal cramping. Constipation has also been reported. The following reactions have also been reported during treatment with metronidazole: **Mouth**: A sharp, unpleasant metallic taste is not unusual. Furry tongue, glossitis, and stomatitis have occurred; these may be associated with a sudden overgrowth of ***Candida*** which may occur during effective therapy. **Hematopoietic**: Reversible neutropenia (leukopenia). **Cardiovascular**: Flattening of the T wave may be seen in electrocardiographic tracings. **Central Nervous System**: Convulsive seizures, peripheral neuropathy, dizziness, vertigo, incoordination, ataxia, confusion, irritability, depression, weakness, and insomnia. **Hypersensitivity**: Urticaria, erythematous rash, flushing, nasal congestion, dryness of mouth (or vagina or vulva), and fever. **Renal**: Dysuria, cystitis, polyuria, incontinence, and a sense of pelvic pressure. Instances of darkened urine have been reported, and this manifestation has been the subject of a special investigation. Although the pigment which is probably responsible for this phenomenon has not been positively identified, it is almost certainly a metabolite of metronidazole and seems to have no clinical significance. **Other**: Proliferation of ***Candida*** in the vagina, dyspareunia, decrease of libido, proctitis, and fleeting joint pains sometimes resembling serum sickness. If patients receiving metronidazole drink alcoholic beverages, they may experience abdominal distress, nausea, vomiting, flushing, or headache. A modification of the taste of alcoholic beverages has also been reported.

SPIRONOLACTONE

WARNING: Spironolactone has been shown to be a tumorigen in chronic toxicity studies in rats (see warnings.) Spironolactone should be used only in those conditions described under indications. Unnecessary use of this drug should be avoided.

INDICATIONS: Spironolactone is indicated in the management of: **Primary hyperaldosteronism for** Establishing the diagnosis of primary hyperaldosteronism by therapeutic trial. Short-term preoperative treatment of patients with primary hyperaldosteronism. Long-term maintenance therapy for patients with discrete aldosterone-producing adrenal adenomas who are judged to be poor operative risks, or who decline surgery. Long-term maintenance therapy for patients with bilateral micro- or macro-nodular adrenal hyperplasia (idiopathic hyperaldosteronism). **Edematous conditions for patients with**: Congestive heart failure. For the management of edema and sodium retention when the patient is only partially responsive to, or is intolerant of, other therapeutic measures. Spironolactone is also indicated for patients with congestive heart failure taking digitalis when other therapies are considered inappropriate. **Cirrhosis of the liver accompanied by edema and/or ascites**: Aldosterone levels may be exceptionally high in this condition. Spironolactone is indicated for maintenance therapy together with bed rest and the restriction of fluid and sodium. **The nephrotic syndrome**: For nephrotic patients when treatment of the underlying disease, restriction of fluid and sodium intake, and the use of other diuretics do not provide an adequate response. **Essential Hypertension**: Usually in combination with other drugs. Spironolactone is indicated for patients who cannot be treated adequately with other agents or for whom other agents are considered inappropriate. **Hypokalemia**: For the treatment of patients with hypokalemia when other measures are considered inappropriate or inadequate. Spironolactone is also indicated for the prophylaxis of hypokalemia in patients taking digitalis when other measures are considered inadequate or inappropriate. **Usage in Pregnancy**: The routine use of diuretics in an otherwise healthy woman is inappropriate and exposes mother and fetus to unnecessary hazard. Diuretics do not prevent development of toxemia of pregnancy, and there is no satisfactory evidence that they are useful in the treatment of developing toxemia. Edema during pregnancy may arise from pathologic causes just as it is in the absence of pregnancy (however, see WARNINGS section). Dependent edema in pregnancy, resulting from restriction of venous return by the expanded uterus, is properly treated through elevation of the lower extremities and use of support hose; use of diuretics to lower intravascular volume in this case is unsupported and unnecessary. There is hypervolemia during normal pregnancy which is harmful to neither the fetus nor the mother (in the absence of cardiovascular disease), but which is associated with edema, including generalized edema, in the majority of pregnant women. If this edema produces discomfort, increased recumbency will often provide relief. In rare instances, this edema may cause extreme discomfort which is not relieved by rest. In these cases, a short course of diuretics may provide relief and may be appropriate. **CONTRAINDICATIONS**: Spironolactone is contraindicated for patients with anuria, acute renal insufficiency, significant impairment of renal function, or hyperkalemia. **WARNINGS**: Potassium supplementation, either in the form of medication or as a diet rich in potassium, should not ordinarily be given in association with Spironolactone therapy. Excessive potassium intake may cause hyperkalemia in patients receiving Spironolactone (see Precautions section). Spironolactone should not be administered with other potassium-sparing diuretics. Spironolactone has been shown to be a tumorigen in chronic toxicity studies performed in rats, with its proliferative effects manifested on endocrine organs and the liver. In one study using 25, 75 and 250 times the usual daily human dose (2 mg/kg) there was a statistically significant dose-related increase in benign adenomas of the thyroid and testes. In female rats there was a statistically significant increase in malignant mammary tumors at the mid-dose only. In male rats there was a dose-related increase in proliferative changes in the liver. At the highest dosage level (500 mg/kg) the range of effects included hepatocytomegaly, hyperplastic nodules and hepatocellular carcinoma; the last was not statistically significant at a value of $p = 0.05$. **PRECAUTIONS**: Because of the diuretic action of Spironolactone, patients should be carefully evaluated for possible disturbances of fluid and electrolyte balance. Hyperkalemia may occur in patients with impaired renal function or excessive potassium intake and can cause cardiac irregularities which may be fatal. Consequently, no potassium supplement should ordinarily be given with spironolactone with hydrochlorothiazide. Hyperkalemia can be treated promptly by rapid intravenous administration of glucose (20 to 50 percent) and regular insulin, using 0.25 to 0.5 units of insulin per gram of glucose. This is a temporary measure to be repeated as required. Spironolactone with hydrochlorothiazide should be discontinued and potassium intake (including dietary potassium) restricted. Hypokalemia may develop as a result of profound diuresis, particularly when spironolactone with hydrochlorothiazide is used concomitantly with loop diuretics, glucocorticoids or ACTH. Hypokalemia may exaggerate the effects of digitalis therapy. Potassium depletion may induce signs of digitalis intoxication at previously tolerated dosage levels. Warning signs of possible fluid and electrolyte imbalance include dryness of the mouth, thirst, weakness, lethargy, drowsiness, restlessness, muscle pains or cramps, muscular fatigue, hypotension, oliguria, tachycardia and gastrointestinal symptoms. Spironolactone with hydrochlorothiazide therapy may cause a transient elevation of BUN. This appears to represent a concentration phenomenon rather than renal toxicity, since the BUN returns to normal after Spironolactone with hydrochlorothiazide is discontinued. Progressive elevation BUN is suggestive of the presence of pre-existing renal impairment. Dilutional hyponatremia, manifested by dryness of the mouth, thirst, lethargy and drowsiness, and confirmed by a low serum sodium level, may be induced, especially when spironolactone with hydrochlorothiazide is administered in combination with other diuretics. A true low-salt syndrome may rarely develop with spironolactone with hydrochlorothiazide therapy and may be manifested by increasing mental confusion similar to that observed with hepatic coma. This syndrome is differentiated from dilutional hyponatremia in that it does occur with obvious fluid retention. Its treatment requires that diuretic therapy be discontinued and sodium administered. Gynecomastia may develop in association with the use of spironolactone, and physicians should be alert to its possible onset. The development of gynecomastia appears to be related to both dosage level and duration of therapy and is normally reversible when Spironolactone with hydrochlorothiazide is discontinued. In rare instances some breast enlargement may persist. Thiazides have been demonstrated to alter the metabolism of uric acid and carbohydrates, with possible development of hyperuricemia, gout and decreased glucose tolerance. Thiazides may temporarily exaggerate abnormalities of glucose metabolism in diabetic patients or cause abnormalities to appear in patients with latent diabetes. Both spironolactone and hydrochlorothiazide reduce the vascular responsiveness to norepinephrine. Therefore, caution should be exercised in the management of patients subjected to regional or general anesthesia while they are being treated with spironolactone with hydrochlorothiazide. Thiazides may also increase the responsiveness to tubocurarine. The antihypertensive effects of hydrochlorothiazide may be enhanced in patients who have undergone sympathectomy. Pathologic changes in the parathyroid gland with hypercalcemia and hypophosphatemia have been observed in patients on prolonged thiazide therapy. Thiazides may also decrease serum PBI levels without evidence of alteration of thyroid function. **USAGE IN PREGNANCY**: Spironolactone or its metabolites may, and hydrochlorothiazide does, cross the placental barrier. Therefore, the use of it in pregnant women requires that the anticipated benefit be weighed against possible hazards to the fetus. These hazards include fetal or neonatal jaundice, thrombocytopenia, and possible other adverse reactions which have been reported in the adult. **NURSING MOTHERS**: Canrenone, a metabolite of spironolactone, and hydrochlorothiazide appear in breast milk. If use of these drugs is deemed essential, an alternative method of infant feeding should be instituted. **ADVERSE REACTIONS**: Gynecomastia is observed not infrequently. Other adverse reactions that have been reported in association with the use of spironolactone are: gastrointestinal symptoms including cramping and diarrhea; drowsiness, lethargy, headache; maculopapular or erythematous cutaneous eruptions; urticaria; mental confusion; drug fever; ataxia; inability to achieve or maintain erection; irregular menses or amenorrhea; postmenopausal bleeding; hirsutism and deepening of the voice. Carcinoma of the breast has been reported in patients taking spironolactone, but a cause and effect relationship has not been established. Adverse reactions reported in association with the use of thiazides include: **A. Gastrointestinal System**: 1. Anorexia, 2. gastric irritation, 3. nausea, 4. vomiting, 5. cramping, 6. diarrhea, 7. constipation, 8. jaundice (intrahepatic cholestatic jaundice), 9. pancreatitis, 10. sialadenitis. **B. Central Nervous System**: 1. dizziness, 2. vertigo, 3. paresthesia, 4. headache, 5. xanthopsia. **C. Hematologic**: 1. leukopenia, 2. agranulocytosis, 3. thrombocytopenia, 4. aplastic anemia. **D. Cardiovascular**: 1. orthostatic hypotension (may be aggravated by alcohol, barbiturates, or narcotics). **E. Hypersensitivity**: 1. purpura, 2. photosensitivity, 3. rash, 4. urticaria, 5. necrotizing angiitis (vasculitis) (cutaneous vasculitis), 6. fever, 7. anaphylactic reactions, 8. respiratory distress, including pneumonitis. **F. Other**: 1. hyperglycemia, 2. glycosuria, 3. hyperuricemia, 4. muscle spasm, 5. weakness, 6. restlessness, 7. transient blurred vision. Whenever adverse reactions are moderate or severe, hydrochlorothiazide dosage should be reduced or therapy withdrawn.

SPIRONOLACTONE WITH HYDROCHLOROTHIAZIDE

WARNING

Spironolactone has been shown to be a tumorigen in chronic toxicity studies in rats (see warnings.) Spironolactone should be used only in those conditions under indications. Unnecessary use of this drug should be avoided.

Fixed-dose combination drugs are not indicated for initial therapy of edema or hypertension. Edema or hypertension requires therapy titrated to the individual patient. If the fixed combination represents the dosage so determined, its use may be more convenient in patient management. The treatment of hypertension and edema is not static, but must be re-evaluated as conditions in each patient warrant.

INDICATIONS: Spironolactone has been shown to be a tumorigen in chronic toxicity studies in rats (see Warnings section). Spironolactone should be used only in those conditions described below. Unnecessary use of this drug should be avoided. Spironolactone with Hydrochlorothiazide is indicated for: **Edematous conditions for patients with: Congestive heart failure**: For the management of edema and sodium retention when the patient is only partially responsive to, or is intolerant of other therapeutic measures. The treatment of diuretic-induced hypokalemia in patients with congestive heart failure when other measures are considered inappropriate. The treatment of patients with congestive heart failure taking digitalis when other therapies are considered inadequate or inappropriate. **Cirrhosis of the liver accompanied by edema and/or ascites**: Aldosterone levels may be exceptionally high in this condition. Spironolactone with hydrochlorothiazide is indicated for maintenance therapy together with bed rest and the restriction of fluid and sodium. **The nephrotic syndrome**: For nephrotic patients when treatment of the underlying disease, restriction of fluid and sodium intake, and the use of other diuretics do not provide an adequate response. **Essential Hypertension**: For patients with essential hypertension in whom other measures are considered inadequate or inappropriate. In hypertensive patients for the treatment of a diuretic-induced hypokalemia when other measures are considered inappropriate. **USAGE IN PREGNANCY**: The routine use of diuretics in an otherwise healthy woman is inappropriate and exposes mother and fetus to unnecessary hazard. Diuretics do not prevent development of toxemia of pregnancy, and there is no satisfactory evidence that they are useful in the treatment of developing toxemia. Edema during pregnancy may arise from pathologic causes or from the physiologic and mechanical consequences of pregnancy. Spironolactone with hydrochlorothiazide is indicated in pregnancy when edema is due to pathologic causes just as it is in the absence of pregnancy (however, see Warnings section). Dependent edema in pregnancy, resulting from restriction of venous return by the expanded uterus, is properly treated through elevation of the lower extremities and use of support hose; use of diuretics to lower intravascular volume in this case is unsupported and unnecessary. There is hypervolemia during normal pregnancy which is harmful to neither the fetus or the mother (in the absence of cardiovascular disease), but which is associated with edema, including generalized edema in the majority of pregnant women. If this edema produces discomfort, increased recumbency will often provide relief. In rare instances, this edema may cause extreme discomfort which is not relieved by rest. In these cases, a short course of diuretics may provide relief and may be appropriate. **CONTRAINDICATIONS**: Spironolactone with hydrochlorothiazide is contraindicated in patients with anuria, acute renal insufficiency, significant impairment of renal function or hyperkalemia, and in patients who are allergic to thiazide diuretics or to other sulfonamide-derived drugs. Spironolactone with hydrochlorothiazide may also be contraindicated in acute or severe hepatic failure. **WARNINGS**: Potassium supplementation, either in the form of medication or as a diet rich in potassium, should not ordinarily be given in association with spironolactone with hydrochlorothiazide therapy. Excessive potassium intake may cause hyperkalemia in patients receiving spironolactone with hydrochlorothiazide (see Precautions section). Spironolactone with hydrochlorothiazide should not be administered concurrently with other potassium-sparing diuretics. Sulfonamide derivatives, including thiazides, have been reported to exacerbate or activate systemic lupus erythematosus. Spironolactone has been shown to be a tumorigen in chronic toxicity studies performed in rats, with its proliferative effects manifested on endocrine organs and the liver. In one study using 25, 75 and 250 times the usual daily human dose (2 mg/kg) there was a statistically significant dose-related increase in benign adenomas of the thyroid and testes. In female rats there was a statistically significant increase in malignant mammary tumors at the mid-dose only. In male rats there was a dose-related increase in proliferative changes in the liver. At the highest level (500 mg/kg) the range at effects included hepatocytomegaly, hyperplastic nodules and hepatocellular carcinoma; the last was not statistically significant at a value of $p = 0.05$. **PRECAUTIONS**: Patients receiving spironolactone with hydrochlorothiazide therapy should be carefully evaluated for possible disturbances of fluid and electrolyte balance. Hyperkalemia may occur in patients with impaired renal function or excessive potassium intake and can cause cardiac irregularities which may be fatal. Consequently, no potassium supplement should ordinarily be given with spironolactone with hydrochlorothiazide. Hyperkalemia can be treated promptly by rapid intravenous administration of glucose (20 to 50 percent) and regular insulin, using 0.25 to 0.5 units of insulin per gram of glucose. This is a temporary measure to be repeated as required. Spironolactone with hydrochlorothiazide should be discontinued and potassium intake (including dietary potassium) restricted. Hypokalemia may develop as a result of profound diuresis, particularly when spironolactone with hydrochlorothiazide is used concomitantly with loop diuretics, glucocorticoids or ACTH. Hypokalemia may exaggerate the effects of digitalis therapy. Potassium depletion may induce signs of digitalis intoxication at previously tolerated dosage levels. Warning signs of possible fluid and electrolyte imbalance include dryness of the mouth, thirst, weakness, lethargy, drowsiness, restlessness, muscle pains or cramps, muscular fatigue, hypotension, oliguria, tachycardia and gastrointestinal symptoms. Spironolactone with hydrochlorothiazide therapy may cause a transient elevation of BUN. This appears to represent a concentration phenomenon rather than renal toxicity, since the BUN returns to normal after Spironolactone with hydrochlorothiazide is discontinued. Progressive elevation BUN is suggestive of the presence of pre-existing renal impairment. Dilutional hyponatremia, manifested by dryness of the mouth, thirst, lethargy and drowsiness, and confirmed by a low serum sodium level, may be induced, especially when spironolactone with hydrochlorothiazide is administered in combination with other diuretics. A true low-salt syndrome may rarely develop with spironolactone with hydrochlorothiazide therapy and may be manifested by increasing mental confusion similar to that observed with hepatic coma. This syndrome is differentiated from dilutional hyponatremia in that it does occur with obvious fluid retention. Its treatment requires that diuretic therapy be discontinued and sodium administered. Gynecomastia may develop in association with the use of spironolactone, and physicians should be alert to its possible onset. The development of gynecomastia appears to be related to both dosage level and duration of therapy and is normally reversible when Spironolactone with hydrochlorothiazide is discontinued. In rare instances some breast enlargement may persist. Thiazides have been demonstrated to alter the metabolism of uric acid and carbohydrates, with possible development of hyperuricemia, gout and decreased glucose tolerence. Thiazides may temporarily exaggerate abnormalities of glucose metabolism in diabetic patients or cause abnormalities to appear in patients with latent diabetes. Both spironolactone and hydrochlorothiazide reduce the vascular responsiveness to norepinephrine. Therefore, caution should be exercised in the management of patients subjected to regional or general anesthesia while they are being treated with spironolactone with hydrochlorothiazide. Thiazides may also increase the responsiveness to tubocurarine. The antihypertensive effects of hydrochlorothiazide may be enhanced in patients who have undergone sympathectomy. Pathologic changes in the parathyroid gland with hypercalcemia and hypophosphatemia have been observed in patients on prolonged thiazide therapy. Thiazides may also decrease serum PBI levels without evidence of alteration of thyroid function. **USAGE IN PREGNANCY**: Spironolactone or its metabolites may, and hydrochlorothiazide does, cross the placental barrier. Therefore, the use of it in pregnant women requires that the anticipated benefit be weighed against possible hazards to the fetus. These hazards include fetal or neonatal jaundice, thrombocytopenia, and possible other adverse reactions which have been reported in the adult. **NURSING MOTHERS**: Canrenone, a metabolite of spironolactone, and hydrochlorothiazide appear in breast milk. If use of these drugs is deemed essential, an alternative method of infant feeding should be instituted. **ADVERSE REACTIONS**: Gynecomastia is observed not infrequently. Other adverse reactions that have been reported in association with the use of spironolactone are: gastrointestinal smyptoms including cramping and diarrhea; drowsiness, lethargy, headache; maculopapular or erythematous cutaneous eruptions; urticaria; mental confusion; drug fever; ataxia; inability to achieve or maintain erection; irregular menses or amenorrhea; postmenopausal bleeding; hirsutism and deepening of the voice. Carcinoma of the breast has been reported in patients taking spironolactone, but a cause and effect relationship has not been established. Adverse reactions reported in association with the use of thiazides include: **A. Gastrointestinal System**: 1. Anorexia, 2. gastric irritation, 3. nausea, 4. vomiting, 5. cramping, 6. diarrhea, 7. constipation, 8. jaundice (intrahepatic cholestatic jaundice), 9. pancreatitis, 10. sialadenitis. **B. Central Nervous System**: 1. dizziness, 2. vertigo, 3. paresthesia, 4. headache, 5. xanthopsia. **C. Hematologic**: 1. leukopenia, 2. agranulocytosis, 3. thrombocytopenia, 4. aplastic anemia. **D. Cardiovascular**: 1. orthostatic hypotension (may be aggravated by alcohol, barbiturates, or narcotics). **E. Hypersensitivity**: 1. purpura, 2. photosensitivity, 3. rash, 4. urticaria, 5. necrotizing angiitis (vasculitis) (cutaneous vasculitis), 6. fever, 7. anaphylactic reactions, 8. respiratory distress, including pneumonitis. **F. Other**: 1. hyperglycemia, 2. glycosuria, 3. hyperuricemia, 4. muscle spasm, 5. weakness, 6. restlessness, 7. transient blurred vision. Whenever adverse reactions are moderate or severe, hydrochlorothiazide dosage should be reduced or therapy withdrawn.

THYROID TABLETS

INDICATIONS: Thyroid is indicated as replacement or substitution therapy of diminished or absent thyroid function (e.g., cretinism, myxedema, nont